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Economic Overview 1984

Conference Board Report No. 857

Printed in Belgium by Robert Louis

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R4105-38

Centrally Planned Economies

**Economic Overview
1984**

By Dr. Josef Adamek

A Research Report from The Conference Board

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Why This Report?

Encouraged by the positive reactions from the business community, we present this second, yearly economic overview covering all centrally planned economies world-wide. Compared to last year's overview, there is one country less, Grenada. It was on the way to establishing a centrally planned, Marxist economy but, in the meantime, the regime has been overthrown.

This report deals with the economic results and problems of these countries, with special focus on their needs and the opportunities for trade with the West.

As these countries comprise nearly 40 per cent of the world's population, and as their potential is often not exploited to the fullest, there are great opportunities for expanding trade relations in spite of their economic difficulties and autarchic tendencies, which often hamper this expansion.

I hope that readers will again find the information contained useful in making the business decisions that may face them at the present time.

James T. Mills
President

INTRODUCTION

In 1983, economic revival from the long-term trend towards a slow-down in centrally planned economies had certainly not become generalized and was often more apparent than real. In many cases, economic improvements were mainly the result of accidental short-term factors and a stronger-than-usual distortion of statistics.

However, four basic factors, causing slow growth and creating permanent economic difficulties, remained. They can be summarized as follows:

1. Basic inefficiency of the system of centralized planning. The reforms introduced in seven countries were limited due to obstacles from all levels of the nomenclatura class fearing a loss of status and privilege.
2. Too high preference given to military build up and commitments for the extension of influence into other countries, resulting in insufficient means and attention to civilian needs.
3. High degree of suppression of human rights, including concentration camps and forced labour in many countries, leading to animosity among the population, a lower working morale and a high emigration rate, including that of skilled labour.
4. Inheritance of past policies, also caused by the above factors, and showing itself in obsolete machinery and limited resources for future growth of the labour supply.

Thus, in order to realize their aims, the central planners often increased the military build-up at the expense of civilian consumption and the non-military sector. This policy led to:

- shortages of supplies and the need for rationing in eight countries;
- price increases and inflation;
- parallel economy and corruption;
- lower working morale and dissatisfaction of the population, sometimes even leading to unrest or civil war if accompanied by suppression of human rights;
- decrease in the life-expectancy of the population and deterioration of the environment;
- a level of investment which did not bring all the expected results of higher productivity and a decrease in the consumption of energy and raw materials;
- continuing high foreign debts necessitating rescheduling of debts and import reductions.

In 1983, a vicious circle continued to exist in that the above-mentioned factors reinforced each other and made centrally planned economies highly vulnerable to unexpected difficulties and exacerbated existing problems.

Therefore, the economic situation substantially worsened, especially where incidental circumstances were unfavourable. The most serious conditions, while differing in nature from country to country, included:

- drought in many African countries;
- intensification of civil war in many countries;
- decreasing export opportunities in the West, due to slow recovery and, occasionally, trade sanctions.

Despite optimistic plans, 1984 and the next few years should only bring a continuation of present developments including, for the most part, relatively small growth and economic difficulties varying from country to country. Higher growth could be achieved only in exceptional cases.

The worst situation can be expected in those countries suffering hostilities or subject to outside military intervention, such as Vietnam, Laos, Cambodia, Afghanistan, Ethiopia, Angola, Mozambique and Nicaragua.

A relatively healthier development is possible in countries where reforms have gone farthest, as in Hungary, Bulgaria and China, or in countries benefiting from foreign help as GDR or Yugoslavia.

Nevertheless, the vulnerability of these economies to immediate difficulties (e.g. weather conditions, possible population unrest, foreign trade situation or other such unexpected circumstances) would be felt increasingly.

The U.S.S.R. continued to try to make these countries even more economically dependent. Agreements were signed up until the year 2000 with Poland and the GDR for closer economic interdependence. At the COMECON summit meeting, the U.S.S.R. suggested a common long-term master plan of integration and the creation of common agro-industrial complexes. Most of the centrally planned economies, however, resist too close a dependence. They are

aware of the need for global economic ties to secure those supplies which the Soviet Union has difficulty in offering in sufficient quantity and quality, in particular energy and technology. Moreover, they recognize the basic disadvantage of tying their economic structure and trade to one stronger partner, especially since the terms of trade have been deteriorating to their disadvantage for a number of years. Many resist closer political dependence on the Soviet Union.

The centrally planned economies have shown need for, and will continue to need, Western imports, especially foodstuffs and technology. In 1983 those countries attempting internal reform also showed a tendency to make trade easier with the West. There are many opportunities for Western suppliers if they can offer goods needed within the framework of the economic plans. Help is especially needed in the economy of energy and the consumption of raw materials, modernization of industrial and agricultural production and to develop export industries.

Due to hard currency difficulties and because the majority of these countries is heavily in debt, increased pressure for more countertrade deals is likely.

I.

SOVIET UNION AND EUROPEAN CENTRALLY PLANNED ECONOMIES

Soviet Union
Poland
German Democratic Republic
Czechoslovakia
Romania
Hungary
Bulgaria
Yugoslavia
Albania

I. SOVIET UNION AND EUROPEAN CENTRALLY PLANNED ECONOMIES

1. Soviet Union

a) General Economic Results

According to the Central Statistical Office, the national income rose by 3.1 % in 1983 compared to 1982.

The 1983 results enabled extra resources to be directed towards investment (+ 5 %) and the military build-up, as well as to an improvement of the foreign trade balance. The situation of civilian consumption did not show any tendency to improve.

In spite of some economic improvement, these figures do not necessarily indicate the start of an upward trend in the Soviet economy. Not only are last year's official figures doubtful, but temporary factors also overshadowed the economy's basic unsolved problems.

These *temporary factors* include:

- the overall performance of the preceding year which was the worst since World War II;
- exceptionally favourable weather conditions;
- a strong influence of the « Andropov effect » i.e., the bullying of workers to give more effort through stricter discipline. Results achieved by such an approach tend to be short-lived, relying on better immediate short-term results at the expense of the future. After the death of Andropov, previous attitudes to work returned;

- the fact that productivity grew more in the first part of 1983 than in the second;
- the fact that the Soviet Union, one of the most heavily polluted countries, seems to have reached a limit where further growth is no longer possible at the expense of its environment;
- the fact that most of the increase is due to a spurt in investment, which cannot be maintained in the long run. This investment occurred at the expense of private consumption.

The major *permanent causes* of economic problems were not removed. These are the way the system works; failure to adjust to depleting natural resources; failure to invest enough in transport in order to exploit Eastern resources; a lower rate of growth in labour and its immobility; and the most important hindrance: an exaggerated level of military spending.

Even the new political leadership sees « no cause for complacency ».

The figures *announced are of doubtful significance* because of:

- statistical revisions in prices concerning 1982;
- the hard attitude to bad performance in the Andropov era and the change of leadership. These were definitely inducements to a greater statistical mani-

pulation of the results achieved at all levels of the economy than is usual. This seems to be confirmed by the fact that, despite the favourable general figures, criticism appeared about the bad performance of many important ministries, e.g. those responsible for ferrous metallurgy, railroads, refined petroleum and petrochemicals, energy, heavy machinery, light industry, timber, pulp and paper, and wood processing. The results of the cereal crop are not mentioned at all. Finally, the coverage and information given in the published economic statistics have once more been reduced;

- the fact that the chairman of the State Planning Commission reported different figures only one month before the end of the year (e.g., agriculture was said to have increased by only 3.6%; later this figure was raised to 5%);

- the fact that concealed inflation has increased;
- the fact that real GNP growth, according to Western experts, was around 2% in 1983 with only a 0.5% total increase from the beginning of the Five Year Plan.

Therefore, the 1983 economic growth can be considered a *short upward spurt in a gradual slow-down* that began in the 1950s. There appears to be no major change in the general economic climate of stagnation.

Progress on a per capita basis is relatively small. There is no indication of the possibility of fresh initiatives to alleviate the major economic difficulties. The U.S.S.R. did not come near to its announced aim to "catch up and overtake the West", even at a time when Western economies had slumped. Moreover, the gap between the U.S.S.R. and the West, on a per capita basis, continued to widen as it has been doing for the last decade, especially in the standard of living and the technology of civilian production. The dependence on the West for food and high technology grew.

b) Specific Trends and Problems

Compared with 1982, gross *industrial output* in 1983 grew by 4% (planned 4.7 - 5%) due to an increase of 3.5% in productivity.

Some sectors and products, which were at the centre of attention, showed exceptionally high increases. These included the industrial microbiological industry (+ 14%), the mineral industry (+ 10%), mineral fertilizers (+ 11%), chemical fibres (+ 10%), NC machines (+ 14%), robots (+ 96%) and computers (+ 11.1%).

On the other hand, productivity in light industry decreased and industrial output has stagnated. There were also decreases in the production of coal (- 0.3%), turbines (- 11%), oil equipment (- 0.2%), railway freight wagons (- 0.3%), excavators (- 2%) and refrigerators (- 2%).

In the *energy* field, the bad production registered for coal was compensated by better results for other energy resources. The production of electricity grew by 3.7%, petroleum by 0.5% and gas by as much as 7%.

Despite the overfulfillment of the plans for electricity and gas, energy shortages continued. The Yamal-Uzhgorod gas pipeline began supplying Siberian gas.

Agricultural production grew by 5%, due to good weather, increased investment and a touch of market stimulation. These results, however, reached less than half the projected goal (10.5%). The 1983 cereal harvest amounted to 190 million tonnes, a long way off from the ambitious Five Year Plan of 235 million tonnes (and lower than the 1973 total).

Meat production stagnated and the 1983 level was lower than that registered in 1978. Compared to the previous year, decreases were registered in the production of vegetables (- 3.3%) and raw cotton (- 0.9%). The production of sugarbeet was lower than the average in the 1976-80 period. Good results were achieved in milk and egg production.

The development of the *standard of living* was characterized in 1983 by gross p.c. increase in income of 2%. This was due to increases in worker and employee wages of 2.4% and agricultural workers' wages of 7%. However, the cost of living increased and shortages of a wide range of consumer products on the domestic market continued. Planned targets for retail trade were not met.

Military spending is growing more rapidly than the economy as a whole. Its share in industrial production is around 40%. The pace of the military build-up was accelerated with new models of almost every class of nuclear weapons being tested and deployed. There was an expansion in the number of aircraft carriers, bridge-laying equipment, "star-war" technology, lasers, strategic bombers, and a hardening and rebuilding of missile silos and command centres against possible U.S. retaliation in the event these weapons were used. Two new classes of nuclear submarines were launched in 1983. A Soviet version of the MX is also being tested.

The military sector remains decisive in the Soviet economy since out of a total labour force of about 140 million people, 8.5 million manufacture combat hardware and a total of 26 million are employed in industrial professions producing goods for military consumption. The total number of non-military industrial workers is only about 36 million. Half of the engineers graduating every year join a military related sector. It is estimated that 75 % of all reinvestable surplus generated by the economy goes into the military sector.

A study produced by the Rand Corporation (Santa Monica, California, U.S.A.) calculated that the cost of maintaining Soviet influence outside its borders amounts to 7 % of its GDP compared with 2 % some ten years ago.

Mr. Chernenko, in his first speech after taking office, stressed the heavy burden of arms spending on the economy.

Foreign trade in 1983 brought positive results. In 1983, total exports grew by 7.4 % and imports by only 5.6 % which brought an improvement in the trade balance. The increase in exports was achieved world-wide and imports increased from all countries with the exception of industrialized ones.

Trade with *developed Western countries* in 1983 was characterized by a slow-down of the 1981-82 export boom (mainly due to increased exports of oil and gas).

Nevertheless, exports to the West grew by 4.8 % while imports declined by 1.1 % which brought a total positive trade balance. This balance was positive with nearly all West European countries, except for Norway and Finland. It was, however, negative with all overseas countries.

There were great shifts in the structure of the commodities traded, which was also reflected in the change of the territorial structure. There were massive sales of Soviet oil and gas and resales of oil (11 million tonnes) from Iraq, Iran and Libya.

There were also growing purchases of modern industrial technology (+ 15.1 %) at the expense of imports of grain and other foodstuffs.

These changes were reflected in the growth of trade with Western Europe by 6.4 % and a decline of trade with other regions, especially with Japan and the U.S.A., of 16 %. Trade was increasingly focused on the FRG (+ 6 %), Italy (+ 8.5 %) and France (+ 16.6 %). Oil and gas accounted for 85-90 % of the value of Soviet exports to these countries. In 1983 the U.S.S.R. sold 56 tonnes of gold for \$ 760 million.

Soviet imports from the *developing countries* grew by 7.4 % in 1983 due to imports of OPEC oil for resale, while other imports declined. Exports grew by only 2.9 %. The surplus achieved was, to a large extent, due to arms sales.

Trade with *centrally planned economies* expanded most. Here, exports grew by 10.2 % and imports by 9.4 %. Of these, exports with COMECON countries grew by 10.5 % and imports by 12 %. In real terms trade shifted further in the U.S.S.R.'s favour, by 4.5 %.

By December 1983 the U.S.S.R. total net indebtedness in hard currency amounted to \$ 7.2 - 9.1 million.

c) Attempts to Reform Economic Management

Attempts have been made in the past to reform the workings of the Soviet economy towards more decentralization, less bureaucracy and a certain amount of market competition. These were the ideas of pragmatists, convinced that these methods were the only way to move the economy out of stagnation. Party bureaucrats always prevented greater changes which would undermine their privileged positions.

Under Andropov, an attempt was begun to improve the functioning of the economy. An attempt was made to fight corruption and a low morale among the work force with stricter controls and punishments (even executions) as well as by copying some Hungarian economic reforms.

Several partial measures were introduced in test sectors (heavy machinery, electro-technical industries in a few selected regional plants) and, if successful, they may be more broadly implemented in the next Five Year Plan (1986-90).

The reforms in industry consisted of giving more power in economic decision-making to lower authorities and factory managers at the expense of central planners and party officials. At the factory level, directors would be allowed to lay off unneeded workers without local party leaders' approval and add the savings to the plant's wage and bonus plan. Factory performance will be tied more closely to product sales and wages will be linked to productivity. Individual factories fulfilling their delivery target would be allocated 15 % cash reserves. If they manage to make economies, they could use the money saved to increase salaries with the director deciding who would benefit. However, for every one per cent the factory is short of its delivery plan, the fund would be cut by 3 %.

In agriculture, the reform (already announced in 1982) consists of the placement of a system of fixed hours and salaries by a "team contract". A team of about ten people agrees to a contract with management to plant and harvest a fixed number of fields or raise an agreed number of cows and pigs. If the team achieves the figure contracted, it can sell any surplus and distribute profits among its members. Workers receive a guaranteed minimum wage, in any case. Teams compete for the contract. Failure to receive one means they will be given less lucrative work. Management supplies fertilizers and equipment.

The new system is already in operation on thousands of farms and it is supposed to be in general practice by the end of 1984. The view is that some elements of this system should also be tried in industry at a later date.

New measures were introduced on July 1 in certain test enterprises of the *service sector*, consisting of a new way of disposing of profits achieved. Profits paid will remain at the disposal of the enterprise.

Teams working on contract who have attained the amount fixed will be able to keep any additional income and divide it among the members. Outside help will also be permitted.

Many incompetent party workers, responsible for directing the economy at various levels, have been fired and replaced by younger, better-trained officials.

The new leadership under Chernenko promised to continue to look for "new forms and structure" of economic management, but stressed the fact that it is also possible to improve the functioning of present structures. This statement expresses the contradictory pressures felt from two sides: pragmatists seeking reforms and party bureaucracy opposing them. The strength of the latter and the fact that the test sectors are obliged to work with "non-reformed" suppliers and customers who are under the thumb of the central planners, reduces the prospects of deep inroads being made in the system by the reforms.

Already, there are no illusions of a radical change being made towards introducing market elements or freedom to do business.

d) Forecasts for the Near Future

The 1984 plan envisages a 3.1% growth in distributed national income. Industrial production is projected to grow by 3.8% and agricultural output by

6.4%. These results should be achieved mainly by productivity growth. The plan sets high targets for the production of energy, namely natural gas (+ 7.9%) and electricity generated from nuclear and hydro-electric power stations (+ 12%). Large increases in the output of NC machine tools (+ 20%), and industrial robots (+ 43%) are also planned. The production of robots should reach 11,000 units ("robot", however, is given a wider definition than in the West). Significant increases are projected in the production of plastics (+ 11.5%), chemical fibres (+ 5.8%) and synthetic rubber (+ 8.3%).

The expectations for *agriculture*, however, are not optimistic. The continuation of dry weather combined with strong dry winds could affect substantially grain yields. Experts expect that grain harvests will not exceed 170-180 million tonnes (official target, 240 million tonnes). Supply difficulties to civilians may be worsened by this and the present rationing system seems certain to continue.

Foreign trade turnover is supposed to increase through a real growth in exports and imports of 10% in 1984. The plan envisages a large trade surplus.

Total foreign trade rose by 7% and trade with non-Communist industrial nations by 2.3% giving the U.S.S.R. a surplus of \$ 720 million.

The official report by the Central Statistical Office showed a 4.5% growth in industrial production for the first half of 1984.

In view of past developments it seems highly unlikely, at present, that the production targets for the *Five Year Plan* will be reached in a number of important branches of industry.

e) Changing Views on Long-term Prospects

Past developments in the economy induced President Chernenko to initiate the drafting of a new *long-term programme*. It will replace the unrealistic goals set in 1961 when a promise was made that the U.S.S.R. would overtake the U.S. economically by 1980 and that the Soviet population would have an abundance of everything by the beginning of the '80s.

It seems very likely that, after the latest change in leadership, a continuation of last decade's policy of small organizational modifications can be expected rather than major decentralization or other substantial changes in the economic mechanism: no radical change, but merely a muddling through. Thus,

the basic features of the long-term economic problems will remain.

Importance will be placed on the arms race, agriculture and energy. In these areas some positive results are likely to occur.

Despite all economic difficulties, and however much the cost, the U.S.S.R. seems to have succeeded in outdoing the West in the *arms race*, even at the expense of more tightening of the belt by its people.

The *food programme*, promulgated in 1982, aims at bringing about improvement in the population's nutritional situation. It is considered a major problem because of the deficit in animal protein. Importance is given to increasing animal production. The required increase in yields is to be achieved through the use of improved corn seed (including imported grain) and more fertilizers and pesticides. The agricultural workers' pay system will incorporate greater incentives.

The long-term *energy programme* up until the year 2000 was approved in Spring 1983. It puts a high economic priority on the energy industry and envisages that until 1990, 20-22 % of all investment funds are to be placed in this sector. The substitution of oil will be encouraged by increasing production of other energy sources. Energy saving techniques should be introduced in order to ensure the position of the Soviet Union as a net exporter of energy.

These ambitious programmes will be realized probably at the expense of the standard of living, which is bound to continue falling. The average annual rise in wages and salaries decreased regularly in each of the Five Year Plans from 4.8 % in 1965-70 to 2.8 % in 1975-80 and a mere 2.5 % in the 1980-85 plan. Similarly, private consumption dropped from a rise of 8.4 % in 1966-70 to 4.5 % in 1976-80 and 4.2 % in the current Five Year Plan. In the first 3 years of the present plan (1981-83), it reached only 2.4 %.

To counter the accelerating tendency of a worsening consumption, a new commission started drawing up a "*Complex programme for the development of consumer goods production and the improvement of the service system 1986-1990*" on March 23, 1984.

f) Implications for Foreign Trade

It is certain that a substantial part of the foreign trade balance will be used for buying *grain* in the West. There are import forecasts for some 35-40 million tonnes in 1984/85.

Bottlenecks in industrial production and high investment plans may improve Western sales. Investment funds to the tune of 42 % will be spent on *machinery and equipment*. Investment is concentrated on heavy equipment. A substantial part is budgeted for the energy sector, and especially for increasing nuclear power, further development of the hydroelectric power potential and expansion of the thermal generating capacity.

Western sales of pipe and pipeline equipment have good prospects as a series of new pipelines are planned and the production of rolled steel will increase by only 1.3 % in 1984. There are opportunities to supply technology and equipment for speciality steels. Heavy investment is planned in 1984 for the whole agro-industrial complex and the development of the transportation sector.

There is less current interest in turnkey plants (several methanol plants may be an exception) but more need for modernization of existing facilities. This will lead to purchases of single production lines and smaller packages, often combining Western know-how and equipment with machinery produced at home or purchased from COMECON countries.

There are hopes for increased sales after the revised COCOM computer lists were released.

There are discussions about a *large new project* leading to a business transaction comparable with the pipeline deal. This project consists of the development of huge coal reserves in southern Siberia with the help of Western deliveries of strip mining and coal processing equipment. The purchase of this equipment could amount to \$ 16.5 billion spread over the rest of this century.

A Japanese consortium (SODECO) has agreed with the U.S.S.R. on a technical outline for exploiting natural gas reserves near Sakhalin Island, in the Chaivo field. It is estimated to contain 140 billion cubic meters of natural gas, 100,000 kilolitres of oil and 20 million kilolitres of condensate. The fuel would go to Japan as on the Soviet side no user is close enough. The total cost of the project is estimated at \$ 3.8 billion, half of which would be financed by SODECO.

Furthermore, the U.S.S.R. is planning to increase major projects in *developing countries* which will lead Western companies to show interest in using Soviet ties to increase their exports. Many believe that a subcontractor relationship with Soviet contractors is a very profitable possibility for expanding trade.

As far as long-term foreign trade is concerned, the dependence of the Soviet Union on imports of food and technology can be expected to continue. The Soviet Union can cover this dependence mainly by exports of energy and raw materials but also through a wide range of industrial products. Soviet scientists have recommended that exports of natural gas should not be expanded further but substituted, instead, by manufactured products utilizing natural gas. Also, the increase in domestic consumption of natural gas may cause a slower growth of its exports.

The last COMECON countries' economic summit emphasized the necessity for more integration of its partners.

The U.S.S.R. proposed building a natural gas pipeline for the European COMECON countries, apparently to compensate for future stagnation in oil deliveries. It would be built with the financial participation of these countries, pumping 20-22 billion cubic meters of natural gas from Western Siberia to Europe. It seems, however, that the necessity of trade with the West, not only of the U.S.S.R. but even more of the other members, will prevent a decrease in trade with the West. Moreover, the difficulties the Soviet Union has to satisfy the energy needs of other COMECON member countries may militate against any strong reorientation of trade away from the West.

In the long run, and because of Soviet needs there are opportunities for Western traders to contribute to the realization of the aims of the *Food Programme*, and the *Energy Programme*, as well as to *automation*. It is envisaged that by 1990, a minimum of 100,000 industrial robots and manipulators should be operating. Although this goal seems highly elusive, it will nevertheless open trading possibilities for Western exporters because of Soviet dependence on imports of heavier programmable robots and manipulators of which only a part can be supplied by Czechoslovakia and Bulgaria.

However, there are strong factors also working against the development of Soviet-Western trade, e.g.:

- Soviet difficulties in developing energy exports and fears of increased further dependence on energy imports from the U.S.S.R. in Western Europe;
- attempts can always be expected to increase self-sufficiency in the framework of COMECON;
- improvement of the Soviet institutional and conceptual basis of foreign trade planning and administration proceeds very slowly;
- there are also reports that forced labour is used increasingly for export production and many advocate prohibitions of imports of various goods.

2. Poland

a) Economic Development in 1983

After four consecutive years of decline (national income in 1982 was only 76.5 % of that of 1978) the *national income* increased in 1983 by 3.8 %. It was still 25 % lower than that of 1978. It is anticipated that the 1978 level will only be reached in 1988. Thus Poland will experience a decade of stagnation and a zero average growth.

In spite of the limited growth in 1983, none of the substantial Polish economic problems were solved, e.g. precarious supply of consumer goods to the population, high inflation, overall inefficiency of the economy and high external debts.

In 1983, *industrial output* grew by 4.7 %. Some significant production increases were achieved in comparison with 1982, especially for lignite (+ 13 %), rolled products (+ 12 %), steel (+ 9.7 %), cars (+ 18.3 %), lorries (+ 11.6 %), ocean-going vessels (+ 48.4 %), chemical fibres (+ 14.1 %), synthetic rubber (+ 19.9 %), nitrate fertilizers (+ 16.5 %), colour TV sets (+ 25.7 %), automatic washing machines (+ 23.5 %), tyres (+ 23.3 %) and pharmaceuticals (+ 12.3 %).

On the other hand the output of certain products was lower than the previous year including coke, gas, machine tools, detergents and cellulose.

Agricultural production grew by 3.6 % in 1983. However, there were also considerable differences in the results achieved in food production. While there were high increases in the production of fish (+ 22.5 %), butter (+ 16 %), wheat (+ 15.4 %), vegetable oils (+ 27.5 %) and flax (+ 12.7 %), the production of many products declined, e.g. barley, oats and processed meats. The number of cattle and the number of pigs dropped sharply, which caused a decline in meat supplies.

According to official figures there was a 25 % increase in the average monthly wage and an increase in retail trade prices by 23 % (services + 35 %). This would mean a 1-2 % growth in the *living standard*.

It is highly probable that the inflation was higher and the living standard went down instead of up. The Polish journal «Banka i kredyt» calls this situation «Slumpflation». The decrease in the living standard is seen in a publication of the Economic Academy in Poznan.

This study compared the working hours needed by the average Polish labourer in order to earn money to pay for one unit of consumer goods. From 1980 to 1982 the work time increased by 16 % in the case of cars, sugar 28 %, bread 13 %, butter 58 %, beef 83 %, coffee 10 % and ham 36 %. According to official figures, consumption in 1983 was 15 % lower than in 1978.

From February 1 the government raised prices of foodstuffs by an average of 10%. The original plans for a 15% rise were dropped due to fears of unrest. The official standpoint, however, remains that more price increases are necessary. Strictly rationed foodstuffs are also among the items. The price of ham increased by 41%, and of pork chops by 23%. The price of retail home appliances and some other products increased as well. To partly cushion the effect, there were increases in family allowances and of low income pensions.

In 1983, *exports* grew in constant prices by 9% both to the CPE and to the West. *Imports* were strongly reduced and grew by only 3% in constant prices. A surplus of \$770 million was achieved in trade with the West. However, the volume of Polish manufactured goods shipped abroad for hard currency is 16.3% lower than in 1981, the last year before Western sanctions were imposed. Hard currency imports of raw materials and semi-finished goods for the same period actually rose by 8.2% despite only a 4.2% increase in the volume of goods produced by the manufacturing industry.

b) The Debt Problem

According to official sources, Polish debts increased in 1983 from \$24.8 billion to \$26.4 billion and are expected to rise further to \$29.4 billion at the end of 1984 and to \$32 billion by 1987. Over half is owed to Western governments and the rest to commercial banks. Servicing this debt requires \$3 billion a year which is between a third and a half of the gross currency earned annually from exports.

As the Western governments broke off rescheduling talks after the introduction of the military regime in Poland in December 1981, Poland has, in effect, profited from a complete moratorium on interest and principal repayments on the *government loans*. This situation continues for the time being as no agreement has been reached until now with Western governments in spite of many talks on the rescheduling of about \$15.2.

In April 1984, Poland succeeded in reaching an extremely favourable agreement with Western banks on rescheduling *its commercial debts* due in the 1984-87 period to extend until the years 1988-93. The banks agreed to provide Poland with new credits of \$645 million. Thus the total money paid in 1984 to Western banks will be \$200 million less than the amount Poland received from the banks.

Towards the end of 1983, the question of servicing of debts was discussed openly in economic journals between leading officials. Solutions proposed included:

- decreasing dependence on the West through shifting to more economic relations with centrally planned economies and developing countries;
- long-term rescheduling agreements over 5-7 years;
- making a minimum payment for servicing of debts and postponing the bulk of the remaining payments until the next decade.

The U.S.S.R. has recognized Poland's failure to keep up its payments for a \$1 billion hard currency loan raised in 1981, and rescheduled them until after 1985. By the end of 1985, Poland's debt in roubles will reach the level of one year's exports and it is expected to increase further by mutual consent.

China promised a credit of \$1 billion to finance purchases of agricultural products and tyres for heavy trucks. *Libya* has lent Poland \$230 million for buying and reselling Libyan crude oil.

c) Economic Reforms

The Polish Government continued the process of economic reforms with measures aimed at a certain decentralization of the economy which could help solve the difficult situation and result in more harmonious development of the economy in the future. The Reform Commission continued to prepare suggestions for further reforms. In 1983, some new schemes were devised having some impact on foreign trade.

A system of "operational programmes" consists in preferential treatment for import needs in certain sectors which shrank from 6 to 4 in 1984: transportation, agricultural and food equipment, health service supplies and children's clothing.

The system of "official contracts" requires enterprises to sign a commitment to produce a specific quantity of a given product. In exchange, the government assures allocation of raw materials and hard currency to support import needs related to the terms of the official contract. Contracts cover about 100 items including industrial goods and construction projects. However, in 1984, due to difficulties in fulfilling obligations the government is seeking production commitments without offering hard currency for imports. Difficulties arise as import needs of sub-suppliers are not covered.

The *rate of exchange* of the Zloty has been devalued from 110 for \$1 to 123. This has no direct impact on trading partners abroad as the currency is not convertible. However, this has an indirect effect on exporting companies in Poland because it encourages them to export and discourages imports. Many economists think that this devaluation should have been more substantial, reaching some 130 Zloty to the dollar. While the Ministry of Foreign Trade is pressing for further devaluation, there are fears that this could spark off inflation.

Access to foreign currency for individual businesses has been increased. Polish companies are being encouraged to generate hard currency to cover their import needs. Exporting companies retain an officially set quota of their export earnings (there are now less than two thousand production companies). The quotas vary widely and depend on government evaluation of how to prevent excessive non-export-related purchases. At the end of 1983, the total amount accumulated on such accounts exceeded \$1 billion. In 1983, these accounts financed 15% of total imports from the West. It is estimated that this percentage could rise in 1984 by more than 20%.

At the end of 1983, a decree came into force allowing *foreign companies* to have foreign exchange accounts in Polish banks and to use them for operations connected with foreign trade.

By the end of that year, there were 130 such firms with 100% foreign capital which had been given permission to carry out such economic activities. Their number increased to more than 600 by mid-1984.

The Polish Consultative Council recommended that products badly needed for the domestic market should be withdrawn from *compensation goods* offered for countertrade deals.

At the beginning of 1984, a law was passed shifting decision-making regarding pay levels from central planners to company managers as an incentive to increase productivity.

There is, however, much *resistance* from the ruling bureaucrats to measures aimed at more decentralization, as they instinctively feel that their position could be weakened. Ministries are lobbying to remove even the slightest amount of independence still enjoyed by Polish business under the economic reform.

Many economists argue that the reform is only changing the "secondary features" of the traditional command economy but not the basic ones.

The government has agreed to negotiate on a plan proposed by the *Roman Catholic Church*, which initiated a scheme to help the country's 3.5 million private farmers tilling 75% of the farmland. It calls on Western Churches to finance deliveries of equipment, feed, seed and fertilizers to be sold to farmers through a church-controlled foundation. Also, other projects would be financed by this method such as machine repair, milk refrigeration, as well as production facilities for fruit, vegetables and herbicides. Some \$28 million has already been raised.

There are also independent difficulties in developing reforms stemming from the economic situation. Therefore many opportunities established in theory cannot be realized. For instance, enterprises have the right to ask for direct export licences without the intervention of an FTO. This measure is seldom used because enterprises do not have trained managers capable of handling foreign trade transactions. Also the overheads connected with foreign trade activities are higher if they carry out these themselves.

d) Forecasts for the Future

The *plan for 1984*, elaborated by the State Planning Commission, is optimistic. It envisages an increase in national income by 2.6% but a lower distributed national income, the difference being allocated to a trade surplus with the West.

Gross industrial output is to expand by 4.5%, with the engineering sector growing by 6% and that of energy and materials by 2.4-2.9%. Energy conservation will be stressed.

Agricultural production is projected to increase by 1.4-1.8%.

Investment will increase marginally by 0.9%. Of the total, nearly one-third will be invested in agriculture and another third in housing. No new major projects will be started and some industries will experience real reduction of their capital assets.

The inflation rate should drop to 14-15% in 1984.

The provisional draft of the *1985 plan* calls for a 3.2% growth in national income and a 4.2% growth in industrial output over the estimated 1984 level. Priority is given to the chemical industry, engineering, minerals and light industry. Output of agricultural machinery is to grow by 10%. Exports to hard currency areas should grow by 6.3%. Higher growth is not planned due to shortages in suitable goods for exports. However, imports should grow by 10%.

In the first half of 1984, they had already increased by 22.9%.

There are many indications that these plans are *over-optimistic*. The Polish Economic Consultative Council has doubts about reaching the above-mentioned goals. The Council drew attention to the following facts:

- non-existence of labour reserves as the number of "working Saturdays" cannot be further extended;
- unrealistic proposals to save raw materials due to the poor condition of production equipment available prohibiting efficient use of labour and raw materials;
- few possibilities for investment by companies themselves.

The decline in the number of cattle and pigs will adversely affect meat supplies. The per capita consumption is supposed to decrease to 52.4kg from 80kg five years ago. Even the Polish Government has warned that meat supplies will fall by 6-8% in the second half of 1984 and that there will be supply difficulties for fish, tea and coffee.

In the *first half of 1984*, industrial output grew by 4.8%. There was a rise in the trade deficit with COMECON countries. Hard currency trade in value remained at last year's level and the hard currency debt rose slightly. The cost of living increased by 13%.

In spite of the growth in 1983, the *prospects for 1984* and thereafter are not bright. The main problems of the economy were not solved. Inflation is running at nearly 30% per year. There are few incentives for an increase in productivity. The general public feels concerned about the future particularly because of threats of more price increases which, if accompanied by further political repression, could have serious negative effects on working morale.

The reforms presently introduced do not give enough economic stability to be effective and are hampered by bureaucratic obstacles.

Also, ageing and worn-out production machinery impedes an upsurge in production: 70-80% is obsolete or second-hand. At the present annual allocation level, experts estimate that it would take 40 years to replace Poland's production machinery and bring it to a level comparable with that of other countries. A similar adverse effect is caused by the lack of spare parts.

It seems likely that only a thorough reform, political reconciliation and postponement of Polish debt repayments, could eventually produce positive results.

e) The Future of Sanctions

The future of sanctions imposed on Poland will play an important role in the Polish economy and on the development of trade with the West. The purpose of sanctions, decided after martial law was imposed in December 1981, was to force the military rulers to:

- end martial law;
- release political prisoners;
- begin a dialogue with independent Polish institutions.

Finally, martial law was lifted and most political prisoners were released, albeit with some restrictions. Thus, the conditions for lifting the sanctions were partially met. It was a clear sign that Western aid was needed.

The EEC's Council of Ministers expressed the hope "that it will be followed by new measures destined to encourage a national reconciliation". The U.S. reacted positively especially by renewing the right of Polish ships to fish in U.S. fishing zones, giving Polish charter planes the right to land on U.S. soil and lifting the ban on scientific exchanges. Thus, the West reacted also with a partial lifting of sanctions.

The major sanctions still in force include:

- refusal to allow Poland to return to the IMF;
- withholding of most favoured nation status to Poland;
- rejection of all U.S. guaranteed credits.

The crucial question now is whether or not the Polish government will take the final and most important step. It seems that there is little intention to do so. It remains to be seen if the West will maintain its partial removal of sanctions or remove others, in spite of the fact that all the conditions have not been met by the Polish authorities.

f) Implications for Foreign Trade

While import requirements in the near future are enormous, they are limited by difficulties in exporting and the wish to decrease foreign debts.

Significant increases in *imports* from COMECON countries are envisaged. However, Western imports will also play a decisive role in Poland's ability to fulfil its 1984 goals, and this dependence on the West is not likely to decrease. It is expected that hard-currency imports will increase by 15% in 1984.

Priority in imports will be given to:

- raw materials and semi-finished goods for the manufacturing industry;
- essential imports for the health service;
- grain amounting to some 3-3.5 million tonnes;
- high-protein fodder, some 1.2 million tonnes;
- 125 thousand tonnes of meat.

Imports of a few selected industrial consumer goods from the West will have to be organized exclusively on a countertrade basis. Imports of consumer goods from COMECON countries should increase, especially those from the U.S.S.R., Czechoslovakia and the GDR.

The trade deficit with COMECON countries should decrease slightly because of the refusal of these countries, especially of the Soviet Union, to maintain a high trade deficit with Poland.

However, planned *export* targets are considered unrealistic by the Economic Consultative Council due to insufficient export incentives. Therefore, there are doubts that debts can be decreased as hoped and whether or not the desired imports will be obtained.

The great weakness in exporting capability is the electro-engineering sector, accounting for some 25 % of total exports and comprising ships, cars, washing machines and industrial machinery. Quality has declined and technology is falling increasingly behind.

The development of reforms, in the context of foreign trade, can bring some advantage to Western exporters acquainted with the new schemes and procedures. The best prospects are for those companies which export:

- to Polish enterprises that themselves export to the West;
- for sectors benefitting from "operational programmes";
- high quality goods which are not easily obtainable in other COMECON countries.

In the long run, there are hopes for the continued expansion of the small, successful, government-sanctioned private business sector. Joint ventures using Western investment capital could increase after respective legislation is introduced. There is also hope of the revival of cooperation agreements, although, over the last 3 years, no agreement of any significance has been signed and those that have lapsed have not been replaced. In 1983, however, the Polish Chamber of Foreign Trade offered 200 Western companies a number of specific cooperation proposals.

The *Soviet Union* is trying to exploit Poland's economic difficulties by tying the country more closely to itself. In May 1984, a document was signed by Poland and U.S.S.R. on economic cooperation as far as the year 2000. It goes one step farther towards the integration of the two economies than is the case with other countries by creating stronger links, including juridical and organizational integration, especially in heavy industry and the raw materials sector.

Poland is supposed to specialize in the production of ships, railways cars, construction machinery, equipment for the air transport industry, radio-electronics, telecommunications and agricultural products. For both countries, the Soviet Union will concentrate on the production of equipment for energy production, mining and metallurgy, diesel and electro-locomotives, lorries, tractors, machine tools and household equipment. Both countries together will develop micro-electronics, robots and automation for industry.

Poland's desires for increased deliveries of oil and gas were not met.

Finally, there are hopes that the partially lifted restrictions, introduced after the military regime was imposed, or even their total lifting might substantially widen the possibilities of trade with the *West*.

3. German Democratic Republic

a) Economic Development

According to the GDR Statistical Office, the *national income* increased by 4.4 % in 1983; gross *industrial production* increased by 4.1 % and *labour productivity* in industry increased by 5.8 %. However, it is admitted that labour productivity is still 30 % under the FRG's level. Virtually all branches of industry increased their production. *Economies* of raw materials and energy were achieved, especially those of coal, coke, non-ferrous metals, wood and paper.

The situation in *agriculture* is reported to be less favourable. Output of beef, pork, poultry and milk decreased, with only a slight increase in the output of sheep and goats, as well as that of eggs. The potato and beet harvests were poor.

Investments in industry rose by 3.8 % and were mostly concentrated upon the development of domestic raw material and energy resources as well as industrial automation.

Military expenditure for 1983 increased by 5.8 % and for security and border controls by 6 %.

While the net population income is reported to have increased by 2.3 %, real private *consumption* decreased in 1983.

Life for inhabitants of the GDR has been made more expensive by hidden price increases. A new category of goods has been created, with producers and retailers being allowed higher mark-ups. Although these goods are claimed to be better than the usual low quality ones, their prices are much higher than would correspond to the increase in quality. Often, the higher quality is only imaginary or the prices are higher since the goods would normally not be available at all.

In 1983, the *foreign trade* turnover increased by 12 % and exports to the U.S.S.R. rose by 16 %. A slight surplus was achieved with the West and net debts decreased. This was mainly achieved by strict reduction of imports coupled with a campaign to increase exports.

It is difficult to determine to what extent official *figures* are influenced by hidden price increases.

b) Super Credits from FRG and Foreign Debts

The FRG is pumping considerable funds into the GDR's economy hoping to influence the GDR authorities to become more lenient in questions of human rights with its citizens as well as in personal contacts between people of both German states.

After a first super credit last year of some \$350 million, a new one totalling \$330 million was negotiated. It will be guaranteed by the Federal Republic and arranged by a consortium of private banks led by the Luxembourg affiliate of the Deutsche Bank. Both credits are untied, hard currency credits.

Besides these credits the FRG is continuing to help the GDR in the form of hard currency transit fees, as well as paying for the release of political prisoners and family reunification, and enabling it to receive better conditions for export to the EEC.

These credits come at a time when the GDR is struggling to decrease its debts, which totalled \$9.3 billion at the end of 1983 compared with \$10.5 billion the previous year and \$12 billion in 1981. As already mentioned, this decrease was due to import restrictions and an export promotion drive.

The structure of these debts is unfavourable as half of it is composed of short- and medium-term loans and some 40%-45% by hard currency debts falling due in 1984.

Thus, it is likely that a substantial portion of the new credits will be used for debt repayment while only a smaller part will enable additional imports to benefit the economy.

These credits will mainly enable the GDR to lower its debts, pay for high-priced Soviet oil and spend funds for the construction of new missiles without the need to substantially decrease the standard of living, which could lead to a weakening of the regime.

c) Modifications of Economic Management

The "New Economic System", introduced 20 years ago, was later abandoned in favour of a policy of strict state regulation, especially of all prices. The fusion of smaller enterprises into massive complexes (Kombinate) during the 70's did not bring positive results. They did not generate the expected increase in the per-worker output, neither did they result in higher efficiency.

Since 1982, many regulations have appeared in industry aimed at the fine tuning of monetary instruments in order to create incentives to economize input (labour, raw materials and energy) and increase production, especially for exports. An important role should be played by net profits which will depend on economies of production and export performance.

In agriculture changes were introduced aiming at higher efficiency and increased production. They consisted of an increase in the responsibility of local cooperations for the use of their assets. Agricultural prices were increased by 50% and subsidies abolished for capital assets.

To a certain extent, *foreign trade* has been decentralized from the centralized decision-making power to the combines.

However, the above-mentioned measures can produce only a limited effect as long as too much decision-making rests with higher authorities, and the way profits should be used is limited. In spite of the decrease in the number of economic indicators, there are still more than 100 indicators decided from above. Thus, the effect of this reform drive cannot bring about a decisive change in economic management leading to a substantially higher efficiency.

d) Forecasts for the Future

The GDR's economic plan for 1984 stipulates an increase in the *national income* of 4.4% and that of *industrial production* by 3.6%. There is great emphasis on such fields as electrical engineering and electronics which should grow by twice this percentage.

Investment is to grow by 2.1% and to be concentrated in energy and material development, export production, and modernization of production, especially in machine tools and heavy engineering.

This year, much stress will be put upon the *conversion* from oil to domestic brown coal which, however, may create serious environmental problems.

Military spending will rise by 7.2%, directed mainly towards the modernization and deployment of new medium-range missiles.

Agricultural production should grow by only 0.6%. Efforts will be concentrated on an increase in the crop yield. The plan envisages the use of more drainage and irrigation techniques and fertilizers.

The *foreign trade* turnover should increase by 5% in 1984 and trade with the West should grow by 10%.

Already, there are favourable figures for economic development in the first half of 1984: the growth of national income by 5.1%, net industrial production by 8.1% and labour productivity by 7.2%.

Investment has fallen by 3 %. Nevertheless, it seems that the 1984 plan will be difficult to fulfill due to foreign trade cutbacks in 1983. The GDR consumer will see little improvement in 1984 and will be asked to work harder to produce more for little increase in real income. Any positive results in consumer growth will be obviated by import cuts, higher armaments and necessary investment.

Long-term development will stress:

- economization of energy and raw material consumption;
- increased use of domestic resources, especially lignite;
- introduction of more robots and industrial manipulators;
- yearly innovation increase of one-third of the production in each branch of the economy;
- concentration on improvements in the agricultural sector which is now the Achilles' heel of the economy, requiring larger imports of fodder, feed grain and foodstuffs from the West;
- intensification of economic ties with the U.S.S.R., (an agreement was signed on cooperation until 2000).

e) Implications for Foreign Trade

As the new *super credits* will be predominantly used for the repayment of debts, they will certainly not trigger a boom for exporting Western companies. Overconsumption, enabled by Western credits, brought about the necessity of repayment of over 20 % of export earnings in 1983 but will now fall to some 10 %.

There are complaints also regarding the decreasing quality and growing obsolescence of the *GDR's export goods* due to its ageing plant and equipment. This tends to decrease competitiveness in world markets.

All this makes it more difficult for the GDR to acquire sufficient means to satisfy all its *import needs* as well as the hope of further decreasing its debts in 1984 to a mere \$ 8 billion.

Nevertheless, import requirements are high and there is some leeway for Western exporters besides those in the FRG, to sell their goods, in spite of the fact that spectacular growth is not expected. There are hopes that in the *near future* and especially in the *next Five Year Plan (1986-90)*, there will be good prospects for exporters to the GDR of machinery for foodstuffs, and packing, technology for energy conservation and also technology for both industrial

(robots and manipulators) and agricultural modernization.

It is hoped that there will be less strict requirements for *countertrade*, as well as for exports of consumer goods of higher quality.

There are prospects for Western exporters in the context of the expansion in the manufacture and application of miniprocessor technology, electronics and electrical engineering. The electronics industry will be applied to the production of machine tools and heavy machinery to develop robots and industrial manipulators.

Already in 1984, imports are expected for the modernization of the outdated automobile industry. There will be possibilities of selling agricultural machinery and technology related to energy conservation and material recycling, as well as for reducing air and water pollution.

4. Czechoslovakia

a) Economic Development

In 1983 the national income produced increased by 2.2%, industrial output was up by 2.7% and agricultural output rose by 2.2%. Investment also increased by 2.2%. Many experts maintain the view that these general and other detailed figures, expressed in current prices, would mean, if inflation is taken into account, a much lower real growth, perhaps a zero or even a negative one. This can be corroborated by the fact that 17.6% of all industrial enterprises failed to meet basic state plan objectives and 12.6% were even unable to meet the scaled down goals which they had set themselves.

All industries grew approximately the same percentage as the average industrial output. Only the leather, hide and shoe industry is reported to have decreased production by 0.9%. Where the principal industrial products are concerned, there was a decrease in coal and crude iron. The highest growth was seen in numerical computers, integrated circuits, robots and industrial manipulators.

In agriculture, growth occurred because of an increased output of grains, oil seeds and fodder, while potatoes and sugar beet production decreased.

In foreign trade, there was a shift away from the West. Imports increased by 9.4% due to trade growth with socialist countries, while other imports decreased by 2.4%. Exports increased by 8.9%, again because of higher growth with socialist countries (+ 10.1%), while other exports increased by only 5.7%. A high increase in exports and a decrease of imports from the West caused a surplus and enabled a decrease in debts by \$ 800 million. However, much of the increase was due to raw material exports, such as wood and coal, with manufactured products selling less well.

Consumption continued to stagnate because of import reductions of these goods. The prices of consumer goods increased and there were shortages especially in the textile and clothing sectors. The ecological situation became catastrophic with production increases taking priority at the expense of the environment.

The average salary grew by 1.9% and real income, according to official figures, by 0.8%. Due to hidden price increases, this growth was negative. Experts calculated that real wages in 1983 were 2% lower than in 1978.

b) Forecasts

The *plan for 1984* projects an increase in national income of 3%, and that of industrial production of 2.9%. The engineering sector is supposed to expand by 6.4% and the electro-technical industry by 10.5%. Also, the chemical sector has to expand rapidly. Among products stressed are those enabling more efficient use of domestic raw materials as well as those enabling savings in materials and energy input. Production for exports will have priority. Targets for agricultural production were not indicated.

Investment in 1984 will remain roughly at the level of 1983. A high proportion has been singled out to speed-up utilization of R + D results in production of single-purpose machines and to import heavy duty machines. There will be a 20% reduction in new constructions. New investment projects include a new tractor production programme, modernization of a sugar refinery, construction of new plants for production of biochemical fodder additives, pigments and paraffin. A clothing factory will be modernized, as well as a plant for car tyres. The CAZ car works will be modernized. The nuclear programme is seriously delayed.

It is suspected, however, that the gains in 1984 will be mainly achieved through higher prices for production goods. It was indicated also that increased military spending will negatively effect the plans. Economic targets for 1984 are relatively high and they will only be achieved if there are exceptionally favourable conditions, including prospects for foreign trade.

There are good results reported for the *first half of 1984*. GNP grew by 3.2%, and industrial output increased by 3.4%. The electronics, engineering, paper and wood industries show the highest growth rates.

The 1981-85 *Five Year Plan* envisages an annual growth in the national income of 2.0 - 2.6%, in industrial output of 2.7 - 3.5% and in agricultural production of 1.3 - 1.9%. Investment must grow by 2.0% and exports to socialist countries by 9.7%, while other export targets were not indicated. Due to past slow growth, it is highly improbable that all targets will be reached.

In the *long run*, the key problem is the level of engineering skills and production. At the meeting of the Party Central Committee, particularly dedicated to this crucial problem, concern was expressed regarding the lack of competitiveness of the electronics and machinery industries for foreign markets; and

their low share in Czechoslovak production, as well as the slow introduction of related innovation techniques in all industries. It was stressed that only few products approach world standards and many are very old-fashioned. This is due to the poor quality of material used and the out-of-date machinery in factories. Therefore, great attention should be paid in the future to the electronics industry, where more investment and imports should be directed even through the use of foreign credits.

The engineering sector is to be restructured. The automotive industry and the electro-engineering branch are to increase their share of total engineering production.

Other restructuring goals are the expansion of the chemical and petrochemical sectors, a decrease in the high percentage of metallurgical production and the production of heavy industry, both requiring large inputs of energy and raw materials, mostly from imports.

c) Implications for Foreign Trade

In 1984, trade with the *West* is scheduled to grow in exports by 4.6% and in imports by 3.2%. It is supposed that most growth will be based on price inflation and that the volume of imported goods and services from the West will remain approximately the same.

Czechoslovakia will have to pay 50% more in 1984 for Soviet oil and petroleum-based products although the quantity of imported Soviet oil is decreasing. In this perspective, trade with *socialist countries* is to expand more rapidly, with exports increasing by 8.9% and imports by 10.7%.

There appears an increased willingness to use *borrowing* from the West including supplier credits. This could lead, for the time being, to a slow-down in repayment of credits. According to the BIS, total Czechoslovak debts amount to \$ 2.77 billion. The net debt, approximately \$ 2 billion, is one of the lowest in the COMECON group, mostly due to the negative stance of the Czechoslovak government towards borrowing in the past. Of this total \$ 0.6 billion should be paid in 1984 and the rest in 1986.

Production cooperation between Czechoslovakia and Western suppliers has already been booming with increased export possibilities aimed at plant modernization. At the beginning of 1982, there were 61 cooperation agreements and by mid-1984, the

number of such agreements surpassed 100. About 70% are in the mechanical engineering and electronics sectors while cooperation in the agricultural sector amounts to some 15%.

Western suppliers will be sought for the equipment and technology needed for new investment projects. Sales opportunities will be found in the automotive sector in industrial robots, transfer lines as well as in equipment and technology for manufacturing electronic instrumentation for cars.

In the agricultural sector, an increase is likely in fodder imports from the West, due to last year's drought.

Finally, there are also opportunities for Western suppliers of non-investment goods, as a result of loans to domestic producers for the importation of non-capital goods, and for the use of production to be exported to hard currency markets. The measures will have the greatest impact in the sector of general engineering and electronics where export enhancing measures were recently worked out.

5. Romania

a) Economic Development

In 1983, most of the *economic results* achieved lagged far behind the over-optimistic economic plan. This resulted in many problems for the economy and exacerbated its condition. The national income increased by 3.4 % due to a 4.8 % increase in industrial production, while agricultural output decreased by 3.4 %. Investment, however, increased by 2.9 %.

The growth in many branches of *industry* was often far from the average. While production of coal and lignite increased by 24.9 %, there were decreases in the production of cars (13.6 %), radios (10 %), basic chemicals (7 %) as well as a decrease in the production of steel and crude oil.

In *agriculture* the results were more irregular. While there was a 10.5 % decrease in the production of cereals, bringing production back to the 1979 level, a decrease in sugar beet by 27.5 %, in oil-producing plants by 16.1 % and grapes by 22 %, there were high increases in the production of potatoes (+ 24.2 %), milk and dairy products (+ 20.6 %), processed meat (+ 43.2 %) and poultry (+ 17.2 %).

Exports increased by 6 % and *imports* decreased by 4.3 %. There was a shift towards trade with COMECON because of a policy of drastic import reduc-

tion from the West in an endeavour to decrease indebtedness (\$ 10 billion). In 1983, Romania managed a surplus of \$ 2.4 billion and the payment of the 1981-83 rescheduling agreement proceeded as planned. Romania cancelled the last \$ 285 million portion of its standby IMF credit, as it found it less urgent to maintain, and the IMF austerity conditions too demanding.

The reduction of imports and an export drive, unbalanced plan fulfillment together with older unsolved inefficiency problems led to shortages in energy, food and other supplies for the population.

Romania is suffering from a severe *energy shortage* caused by drought which reduced the output of hydro-electric stations. In addition, while some coal-fed power stations are not working to capacity due to delays in repair work, domestic oil production cannot cover the needs.

The *food shortage* continued with rations of food-stuffs not always obtainable and rumours that they will still fall.

Officials openly complain that more managers than ever are falsifying their production records so as to appear to have met planned quotas.

b) Forecasts

The plan for 1984 is very optimistic again, despite insufficient fulfillment of the 1983 plan. The new plan calls for an increase in the national income by 7.3%, industrial production by 6.7%, agricultural output by 5.4 - 6.0% and capital investment by 4.0%.

As for *industry*, the plan stresses the chemical and machine-building sectors.

Investment is to be concentrated in machinery production. Investments in the agricultural sector will be allocated chiefly for completing projects begun in previous years. Defence expenditure will remain unchanged (\$ 644 billion) while it is increased in other Warsaw pact countries.

The *foreign trade* turnover should grow by 13.8% with an even higher growth of exports than imports. Much of the increase in output will have to be exported as there is the intention to cut foreign debts to the West by 25% by the end of 1985.

A 5% growth in *real wages* is envisaged while retail turnover should grow by only 3%, the difference being the decrease in the population's purchasing power.

These optimistic goals are unlikely to be achieved even at the cost of a further drastic reduction in the living standard. There are tendencies to further reduce the private consumption of energy which should be channelled to production. There are also tendencies to reduce rations of meat and flour thus enabling a higher export growth in these products.

The *Five Year Plan* 1981-85 envisages very high average annual growth rates: national income by 7.1%, industrial production by 7.6%, gross agricultural production by 4.5 - 5.6%, real wages by 2.95% and that of retail turnover by 4.8%. This plan has already been altered twice and it is very unlikely that it will be fulfilled.

The Romanian draft plan covering 1986-1990, published in September 1984, aims for a rise in national income of 7.6 - 8.3% a year. The increase is envisaged to come from a productivity rise of 10%. Investment will grow by only 1.8 - 2.5% annually. The volume of foreign trade is scheduled to grow by 41 - 45% over the period, with exports rising by 52 - 56%. The standard of living is unlikely to rise much. Retail sales are planned to increase only 1.7 - 2% a year.

There is a *long-term effort* to reduce the production of energy-intensive goods such as petrochemicals, aluminium and glass.

The main problem Romania will face in the future is a continuation of its structural crisis, especially manifesting itself in:

- shortages of energy, especially private consumption;
- extreme shortages of food and other supplies in the cities;
- threat of famine in the countryside;
- unused factory capacity due to energy shortages as well as insufficient supplies of raw materials and semi-finished products;
- discontent and unrest among the population which could lead to more suppression, a lower work morale, and more resistance, thus exacerbating all the above difficulties.

c) Implications for Foreign Trade

It is very probable that, due to import curbs and efforts to increase the use of domestic resources, the market for Western suppliers will continue to shrink.

Because of the difficulties in finding the means to pay for imports and despite the encouragement of domestic producers to export, very tough *counter-trade* and *financing demands* can be expected in spite of the assurance of Romanian authorities to ease countertrade rules which are now the most stringent in the world. Further loans by Western commercial banks will be limited to selected projects.

In some sectors, Western exporters will capture a declining share of the Romanian market, but there are opportunities in the context of the long-term investment programme for agriculture and in the efforts by industry to increase efficiency and energy conservation.

Romania wants to put all existing production and technological *cooperation ventures* into operation which have already been signed but not yet started. Only four of these, however, are with the West while the majority involve developing and COMECON countries.

The 1984 plan calls for purchasing of agricultural machinery and equipment to boost efficiency, including opportunities reserved for Western suppliers as well.

There is little hope of increasing *tourist* income due to poor service and food shortages.

The opening of a new canal linking the Danube to the Black Sea is expected to bring income in the form of transit fees. After the completion of the Rhine-

Main-Danube canal in the FRG, ships over 100,000 tonnes will be able to travel from the Black Sea to the North Sea. The building of the canal, which took 6 years, cost \$ 2 billion and many lives as it was built mainly by 60,000 forced labourers. It is expected that the monetary investment costs will be paid back in 15 years.

Of crucial importance to the Romanian economy and its foreign trade is the *oil problem*. The planned extraction in 1984 of 13 million tonnes (11.3 in 1983) will still not be enough to satisfy the needs of the petrochemical industry which has been over-

developed in the past years. Some 1.5 million tonnes of Soviet oil will have to be imported in exchange for goods which could normally be sold for hard currency (grain, meat) as the U.S.S.R. is unwilling to accept other types of goods. Romania will undertake contracting work in North Africa and the Middle East to receive part of the payment in oil.

A reform programme in foreign trade is under way. There will be more decentralization in decision-making: moving power from the ministries to the FTO. This should encourage the production of exportable goods.

6. Hungary

a) Economic Development

In 1983, the total production of state-run *industry* increased by 0.7 %, while production per person employed increased by 3.1 %. This may have meant a decrease of 2.3 % in the number of employed workers. In industrial production, the best results were achieved in the pharmaceutical industry (+ 7.4 %), production of herbicides (+ 6.4 %) and the meat industry (+ 9.7 %). Production decreased in industries such as clothing, handicrafts and cottage industries, as well as in more important sectors, such as crude oil production, lime, cement and asbestos, electrical machinery and appliances, ferrous metal products, coal and gas industries. The construction industry decreased its output by 5.5 %.

Sales of *agricultural* products decreased by 1 % due to a lower crop production (– 8.5 %) which could not be compensated by increases in livestock production (+ 6.3 %).

Foreign trade increased more rapidly than production, especially in exports (+ 15.3 %) while imports grew by 12.4 %. The total balance was positive, caused mainly by hard currency trade with centrally planned economies, while trade in roubles with these countries, as well as other trade, brought a negative balance. A total hard currency surplus of \$ 660 million reduced debts to \$ 7.3 billion.

Personal incomes increased nominally by 8 % but this was offset by the consumer price index (+ 7.5 %) and by a rise in the price of industrial consumer goods (+ 9.7 %). The increase in income was the lowest (+ 3 %) for those working in industry. It amounted to slightly less than the inflation rate. Total national consumption decreased by 1-2 %.

b) Continuing Reform

The basic principles of the 1966 reform included:

- the elimination of compulsory planned indicators,
- the transfer of the right to make decisions on current production and investment to enterprises which were to be limited only by the financial regulatory system and the monopoly of foreign trade,
- the introduction of competitive prices approaching those of the world market.

The reform was only partially realized due to adverse conservative forces and a slowing down of its implementation by bureaucrats.

Nevertheless, the reforms brought about important management changes: there was more independent decision-making; central planners had more indirect influence; and greater utilization of the market mechanism and initiative shown by managers and employees. This led to better harmonization of eco-

conomic development, improvements in supply and a better equilibrium in foreign trade relations, since 80% of domestic prices were already at world market level.

Until 1983, changes had not been far-reaching enough to alter the behaviour of businesses. They continued to plan unrealistically, especially where exports were concerned, and investments were often misguided because insufficient account was taken of national and international demand. There was general agreement that experience showed reforms must be continued to benefit the economy. Supporters of continuing reform now hold all the major positions.

Another important step was the Government decision of December 1983 to allow business to decide whether or not to place part of the company profits in a risk fund and to fix the depreciation. Consequently, price subsidies and agricultural production subsidies decreased. Furthermore, prices of agricultural products increased and taxes on profits went down. Also, businesses will have to finance more social benefits, which will increase social benefit costs and will be reflected in price rises.

On April 17, 1984, the Central Committee of the Party decided to take further measures.

- Staff councils will elect top management. In small companies, general managers will be elected directly by the employees. Ministers will have the power to appoint management of large firms related to defence and public services, as well as those "of state interest". They will also have the power of veto in all cases.

- Businesses will decide also on investment, wages and prices and determine production strategy. Wages will be linked to productivity.

It is expected that these measures will bring higher efficiency. It seems, too, that some unprofitable industries may be allowed finally to go bankrupt, thus enabling a shift of the working force to more efficient industries or to the service sector.

Other measures were also introduced.

Hungary's principal venture capital institution, the Innovation Fund, which is unique in the COMECON countries, became an independent self-financing bank, capable of borrowing and lending supplements to direct equity investment in the marketing of new inventions.

Discussions are taking place, too, with the International Finance Corporation on investment in Hungary's private sector.

At the beginning of 1983, Novotrade was set up for the marketing of Hungarian ideas. It is the first company to have shares that can be traded freely. Moreover, it will back financially joint ventures with other Hungarian companies.

In addition, Hungary has passed laws to encourage the import of Western equipment on a leasing basis. Purchases of second-hand Western industrial machinery are being encouraged officially.

Hungarian banks are willing to subscribe risk capital to projects which seem promising. If a project is successful, bank shares can be offered at a later date to potential partners thereby reducing substantially any initial risks to their investment.

c) Forecasts

The *plan for 1984* is realistic. It envisages a slow growth with a rise in the national income of 1.5 - 2%, industrial production by 1.5 - 2% and agricultural production by 0 - 1%. Investment should decrease by 10%, mainly at the expense of centralized investment in industry. Personal income should not exceed the 1983 level. Prices will increase by 7.5%.

Much importance is given to economy of raw materials and energy. There will be a shift from liquid fuel to gas, electricity and coal. Technology fostering energy conservation and economies in raw material consumption will be emphasized as well as those leading to better utilization of by-products. More domestic energy resources will be used.

An increase in exports, especially those connected with engineering, metallurgy, pharmaceuticals and foodstuffs, has top priority. A surplus of \$ 400 million is aimed at in 1984 on the external current account.

Results in the *first half of 1984* brought an increase in industrial production of 4%, personal incomes increased by 9 - 10% while the consumer price index rose by 7 - 8%. Hard currency surplus was \$ 160 million but earnings fell short of their target as a result of reduced food exports, caused by a drought, and lower prices in the West.

The plan has good prospects of success and perhaps will surpass expectation.

d) Implications for Foreign Trade

The aim to restore the equilibrium in foreign trade relations, based on achieving a better equilibrium in the whole economy, remains valid for the future and relies on such policies as:

- slow growth and slow investment,
- austerity of demand,
- priority for exports,
- reduction of imports,
- improved management of the economy through the introduction of more market forces and greater influence of the world market, thus improving its structure,
- attempting to achieve currency convertibility.

This policy can be successful only if all these points are taken into consideration. All have a close bearing on foreign trade relations.

The servicing of debts, even if they have decreased, is still heavy. Besides encouraging exports and reducing imports, Hungary also welcomes new credit. To this end, it has made use of the IMF, the World Bank, Euromoney and other sources, e.g. in the Arab world.

The effort to increase exports will be concentrated on vehicles, machine tools and consumer durables. In the chemical sector, there is focus on polypropylene, nitrogenous fertilizers, pharmaceuticals, plant

protection agents and rubber products. There will be a sharp increase in the number of jobbing contracts awarded by Hungarian businesses to Western partners.

Purchases from the West have been on the decline for many years due to import curtailments as a result of low consumption and investment. The quotas introduced in 1982 have been replaced now by putting greater responsibility on the part of companies but this may lead to more demands for countertrade.

For Western exports, there will be opportunities to sell products in harmony with Hungarian economic intentions, especially where these aim at:

- increasing export capacity to hard-currency markets,
- helping to restructure export industries,
- reducing energy consumption and reorientation to the use of domestic energy sources,
- conserving raw materials and reorientation to the use of domestic raw materials,
- recycling waste and the use of by-products,
- updating technology,
- increasing efficiency in agriculture, especially through mechanization and the improvement of storage capacity for cereals,
- promoting the hydrocarbon industry,
- improving the telephone network.

7. Bulgaria

a) Economic Development

In 1983, the national income grew by 3 %. This was chiefly due to the increase in gross industrial production by 4.6 %, with labour productivity increased by 3.8 %. The gross agricultural production did not increase. Real income of the population increased by 2.8 % and investment decreased by 1 %.

In *industry*, the most rapid growth was seen in the production of trucks, P.V.C. and mineral fertilizers.

Agricultural developments witnessed a poor harvest of wheat, sunflower seeds, sugar beets, tomatoes and grapes. A good yield was achieved in fruits and vegetables. Livestock production increased by 3 %. The poor harvest is ascribed to mismanagement and bad weather.

The *foreign trade* turnover increased by 8.2 %, with trade with the U.S.S.R. growing by 14.4 % and with the West and developing countries by 7.2 %. Exports increased by 8.6 % and imports by 11 %. Trade with the West decreased in an effort to lower hard-currency debts. The deficit was only \$230 million. Imports from the West decreased by 8 %. In particular, the share of engineering products exported grew, while the share of special machine tools, electro-technical equipment and ships imported rose.

The beginning of 1984 saw, too, a sharp rise in the price of meat, beverages and taxi fares.

b) New Economic Mechanism

Reforms were first introduced to agriculture in 1978 and followed two years later to industry. The "New Economic Mechanism" consists of such features as:

- Official encouragement of private farming, where 73 % of farmers have their own plots. However, these must not exceed 0.5 hectares.
- Socialized agriculture allocates land to small teams (brigades), who receive the equipment necessary. They are allowed to organize their own work and they are paid according to results obtained.
- Simplification of central planning in industry by the reduction of planned production targets to a minimum.
- Enterprises are given freedom to choose product lines, compete with each other, organize their sales, fix wages and salaries, and decide on investments.
- Businesses can obtain credits, with the main criterion being profit.
- A number of indirect instruments for directing the economy, e.g. credit conditions, interest rates, export premiums, and prices. High interest rates are used as punishment for inefficient economic results.

Shoddy products are penalized by lower prices.

- Small businesses are organized to react quicker to new opportunities.
- Small private businesses are allowed in the tourist sector.
- Foreign trade enterprises were reorganized to enable closer contact with the world market.

c) Forecasts

The *plan for 1984* calls for an increase in national income of 3.8 %, productivity 4 %, industrial output 5 %, agriculture 3.1 % and foreign trade turnover 8.1 %. Investment is to decrease by 1.2 %. An increase of 2.5 % is planned for the real income, the lowest since 1976.

In the *Five Year Plan* (1981-85), as well as in the plan for 1984, preference is given to:

- manufacture of sophisticated technical equipment and robotization of industry,
- rationalization of energy and raw material consumption,
- increase in the production of nuclear energy and lignite; in metallurgical products and the chemical industry, especially drugs and pharmaceuticals.

Expansion continued in the *first half of 1984*. Net production increased by 4.4 % and industrial production by 3.8 %.

It is probable that the plan for 1984 will be fulfilled and good results to date make it likely that the Five Year Plan's goals will be met. The weakest point is investment which decreased.

d) Implications for Foreign Trade

The main problem for foreign trade is now considered to be the low quality of manufactured, exported goods. Even the U.S.S.R. complains often. The government intends solving this problem with help from the West by emphasizing:

- increasing cooperation with Western companies (there are now 180 cooperation agreements),
- an increase in the number of mixed companies operating in Western countries,
- an increase in the number of mixed companies within Bulgaria which, however, until now has seen little interest from the West,
- an increase in imports of new technology and know-how from the West to upgrade the level of Bulgarian production, especially in those branches exporting to the West.

Of the COMECON countries Bulgaria has, after Czechoslovakia, the lowest national debt per capita. This debt amounts to some \$ 3-3.2 billion, but the country has a heavy deficit with the U.S.S.R. as a result of increases in the prices of oil and gas imports.

The need for Western technology and the relatively satisfactory debt situation make favourable factors for potential Western sales. Western exporters could achieve good results in Bulgaria, especially if they offer:

- material-handling equipment,
- robotics,
- electronic equipment,
- equipment for the steel, chemical, textile and light industry sectors,
- pharmaceutical production equipment,
- raw material extraction and processing equipment,
- fertilizer production equipment,
- equipment related to animal husbandry, irrigation and grain production.

The limits for the expansion of Western exports are the low competitiveness of Bulgarian exports and the need to export to the U.S.S.R. to pay debts. There might be demands for countertrade.

8. Yugoslavia

a) Economic Development

In 1983, the national income decreased by 1.3 % mainly due to a decline in agricultural production.

Industrial production increased by an average of 1.3 % but the output of many important products was lower than the previous year, particularly the production of petrol, natural gas, bauxites, copper, cars, radios, refrigerators and textiles.

Agricultural output decreased by 2.1 % due to the deterioration of the corn harvest and lower livestock production. This was caused by a drought and was aggravated by the curtailment of imports of fodder and fertilizers.

Investment decreased by 12.5 %, showing a decline for the third consecutive year.

The *living standard* continued to fall; the fifth consecutive year. It is reported that private consumption went down in 1983 by 1.7 %, salaries decreased by 5.6 % and the real income per capita by 11.8 %. Inflation is rising. Half the production capacity was not utilized and there were 915,000 unemployed (15 %) and another 700,000 Yugoslavs were working abroad.

In *foreign trade*, Yugoslavia managed to increase exports by 1.4 % and decrease imports by

1.9 %. Trade with hard-currency areas was the only positive factor in 1983; exports increased by 13.5 % and imports were reduced by 11 %. The overall foreign trade deficit was reduced from \$ 3.8 billion to only \$ 1.8 billion. The value of the Dinar, however, continued to fall.

b) Inflation

Inflation has been plaguing Yugoslavia for many years. According to official figures it is currently running at an average of 50-55 %, but experts do not exclude a more realistic rate of around 60-70 % when another method of calculation is applied. It is feared that inflation may reach 100 % in 1984.

In July 1984, inflation hit an all-time record high with retail prices averaging 62.1 % higher than the previous July and the cost-of-living index up by 59 %.

The government has been vacillating between the application of price freezes and the lifting of pricing restrictions. On the one hand, the trade unions and more dogmatic party members persuaded the government to make five comprehensive price freezes while, on the other hand, pressures from the IMF resulted in a lifting of pricing restrictions for the majority of products.

As far as inflation is concerned, discussions are going on continuously as to the need to reform the pricing system. Most agree that prices should not show unreasonable discrepancies when compared with world market prices. Others argue that this might increase inflationary pressure even further.

Since September 1, 1984 only 8% of products remain under price controls. They include wheat, corn and "strategic" industrial products. 55% of the prices will be established by the producer and 37% will be established through "self-managing" agreements between producer and consumer.

c) Debts

Yugoslavia has not succeeded in decreasing foreign indebtedness, now around \$ 21 billion. It continues to need rescheduling of payments due, as well as further financial assistance from the West.

At the end of March 1984, Yugoslavia concluded an agreement with the IMF, 14 Western nations, Kuwait, and Japan for a \$ 500 million stand-by credit, and deferral of payment of \$ 800 million for credits coming due during 1984. At the same time, a refinancing agreement of \$ 1.2 billion was concluded with private banks. By receiving \$ 4.5 billion in foreign credits, Yugoslavia was not compelled to proclaim a period of moratorium on repayments due in 1984, which would lead to drastic curtailment in imports of raw materials and bring about a decrease in production by some 6-8%.

In addition, Yugoslavia will need further some \$ 4-5 billion annually to cover foreign debts. In order to make repayments, it will have to forfeit around one-third of its exports earnings. There are fears that, due to this situation, centralized controls on currency allocation could be introduced.

Under the terms of the above-mentioned agreement, Yugoslavia is obliged to:

- increase internal interest rates above the level of inflation,
- end price freezes,
- revalue the currency,
- continue the policy of austerity.

These measures could lead to large-scale bankruptcies as there is also the problem of the internal debts of Yugoslav enterprises. In 1983, 1700 enterprises had blocked accounts. Many enterprises have insufficient financial resources and, on average, they rely on credits to finance their activities amounting to as much as 80%.

This development can lead to increased unemployment and price hikes that visibly increase the discontent of the population.

d) Forecasts

The plan for 1984 projects an increase in the national income of 2%, with industrial production increasing by 3% and agricultural output by 2%. Investment must decrease by 10% and will be concentrated on new projects located in the least-developed regions and centred on raw material extraction and energy. In the agricultural sector, more money will be spent on irrigation, storage facilities, food-processing lines and transport infrastructure. The defence budget has been cut to 5.2% of the GDP. In 1984, a \$ 1 billion current account surplus should be reached. An increase in employment of 2% is expected but many experts fear that unemployment will increase to 1.2 million people in 1984. Inflation should be reduced to 35%, although it may, in fact, grow. Foreign debts could remain high.

For 1985, the government anticipates a growth of the GDP by 2-3% over 1984. Investment will decrease. From the end of 1984 it is supposed that a yearly growth of 5% could be achieved. At the same time, basic structural changes in the economy should start to lead to increased export potential. These changes could be accomplished by 1990.

The prime minister expects that the economy could only achieve the pre-1983 level by 1986 or 1987.

"The Special Federal Commission for Economic Stabilization" outlined conditions under which an upsurge of the Yugoslav economy could start again. These include:

- general improvement in the efficiency of the economy,
- decrease in the share of investment consumption,
- slow down of overall consumption,
- direct price controls.

A reduction in short-term banking credits for investment in business seems indispensable to an anti-inflation programme.

The present crisis in the Yugoslav economy manifests itself especially in slow growth, slow investment, high unemployment, high inflation, high foreign indebtedness, and a lower standard of living.

This creates a vicious circle with the various elements aggravating each other. This circle cannot be broken easily whilst the main causes continue to exist.

Heated debates on a possible solution to the economic crisis tend to question the main causes of the present situation:

- A malconceived model for the economy in the past, based on the development of heavy industry dependent on high raw material consumption and imports but with insufficient prospects of producing sufficient income to pay for these imports.
- An unhappy mixture of elements of central planning with market mechanisms which, under the special Yugoslav system of rotating top officials, can lead to a joint strengthening of disadvantages to both.
- A high degree of decision-making by republic authorities can lead to the pursuit of a self-reliance policy bringing protection of local markets from competition from other republics, and, therefore, the encouragement of inefficiencies in the economy as a whole.
- Reliance on exporting unemployment and foreign borrowing to solve an inefficient development which cannot be perpetuated long-term without aggravating the situation further.

e) Implications for Foreign Trade

Yugoslavia has to utilize some 45 % of its receipts from export to repay its debts. This leads to cuts in imports and, especially investments which are low. Difficulties experienced with Yugoslav exports will also make it more difficult to import. This brings about a prospect of stagnation for Western sales to Yugoslavia.

Yugoslav imports in the convertible currency area will be determined by the "1984 Plan for the Allocation of Foreign Exchange". This plan specifies that incomes in this area should be increased by 20 % to \$ 7.7 billion. Of that, \$ 4.2 billion would be made available for repayment of debts, financing of energy imports, increasing the monetary reserve, etc. The remainder would be retained by enterprises for financing imports. Yugoslav companies will be allowed to utilize about 45 % of their hard-currency earnings for imports.

Priorities for hard-currency expenditure will be given to the import of raw materials and semi-finished goods by those companies manufacturing goods for export to hard-currency areas. Countertrade requirements can be expected to increase.

In 1984, about \$ 575 million have been set aside in special funds to cover hard-currency import priorities. This is about double the amount of 1983.

Among these priorities are:

- pharmaceuticals and medicines, including basic materials for pharmaceutical production, baby food and those medical preparations which cannot be supplied domestically,
- edible oils, including both basic materials and processed oils (one half is scheduled to be financed by countertrade),
- detergents, including raw materials for these products,
- fertilizers, including basic materials for their production,
- fodder, including soy products,
- imports for promoting tourism, including foreign newspapers and magazines,
- plant protective agents,
- agricultural equipment and spare parts, including agricultural tyres and driving belts,
- coffee and sugar.

Yugoslavia intends to ease terms for joint ventures. According to proposed legislation, foreign companies will be able to take a majority stake, theoretically up to 99 % in joint ventures in all sectors of the economy.

Yugoslavia also wishes to increase the share of Western weaponry in its military arsenal, still predominantly Soviet-supplied or designed.

9. Albania

a) Economic Development and Forecasts

In 1983, agricultural production increased by 9%. Investment grew by 4%, while results for total industrial production were not published; partial figures indicated growth in the engineering industry by 3%, copper products by 7.9%, coal by 8.4%, and steel by as much as 29%.

The *plan for 1984* envisages an increase in industrial output by 8.5%, agricultural output by 14.7% and investment by 3.6%. Main emphasis is to be placed on the output of coal (+ 15.5%) and meat (+ 17%).

Investment projects include:

- expansion of coal, chrome, copper and quartz extraction,
- new copper concentrates and expansion of existing concentrates,
- expansion of textile mills,
- expansion of food processing capacity,
- completion of two railways,
- 11 new animal farming projects and 23 new animal food plants.

The Five Year Plan 1981-1985 envisages an increase in the GDP of 34-36% and in the national income of 35-37%. Industrial production is projected to rise by 36-38%. Investment is to rise by 23-25%. No foreign aid will be required except supplier credits. Exports should increase until 1985 by 58-60% in comparison with 1980. A maximum increase in

imports of 58% is envisaged. Trade should be balanced as a whole and with each trading partner country.

b) Implications for Foreign Trade

Albania intends to import mainly industrial equipment and industrial raw materials. According to government announcements, increased imports will be required for the following tasks:

- intensifying oil and gas extraction,
- prospecting for new oil and gas deposits,
- expanding coal production,
- accelerating power station construction,
- speeding up extraction of minerals, especially of chrome and copper,
- improving mineral production and processing, especially for export,
- improving output of industrial crops and livestock products.

Albania also intends to import more special oils, rolled steel, rolled non-ferrous metals, piping, and coking coal. It is expected that the majority of new imports will come from the West.

Albania is trying to boost exports of refined fuels, chemicals, chrome, nickel, coal, copper wire, pyrites, bauxite, sulphur, canned vegetables, tomato pastes, carpets, liquified petroleum, gas, kaolin and silicon. For the first time goods such as sulphuric acid, acetic acid, packaged grade paper, margarine, jam and raki will be offered to the West in 1984. Many countertrade offers can be expected.

II.

CENTRALLY PLANNED ECONOMIES OF ASIA

People's Republic of China

North Korea

Mongolia

Vietnam

Cambodia

Laos

Afghanistan

South Yemen

10. People's Republic of China

a) Economic Development

In 1983, the GDP increased by 10%. Gross industrial production went up by 10.5%. The production of heavy industry increased (+ 12.4%) more than that of light industry (+ 8.7%) and the highest growth was seen in the machine building industry (+ 21.1%). The output of 35 products reached the targets originally set for 1985 e.g., steel, pig iron, rolled steel, chemical fertilizers, sulphuric acid, caustic soda, plastics, cement and paper. On the other hand, there was a decrease in production of tractors, insecticides, salt, cloth, yarn and sewing machines. Natural gas production was stagnant and that of other energy resources mostly below average.

Agricultural output increased by 9.5% from which grain production was up by 7.5% and the production of cotton jumped by 28.9%. The tea harvest was poor. The output of oil-bearing seeds decreased by 10.5% and that of sugar cane by 15.6%. There was also a decrease in output of rape seed, jute and embar hemp. There was a fall in the number of pigs as well as sheep and goats.

Foreign trade turnover increased by 11%. While imports increased by 17.9%, exports rose by only 5.8%. Thus, the trade surplus decreased in 1983 from \$ 2.5 billion to \$ 825 million. Foreign capital

to the tune of \$ 1.96 billion entered the country of which \$ 1.05 billion were foreign credits, \$ 290 million investment in offshore oil, \$ 300 million represented joint ventures and \$200 million the acquisition of foreign technology through countertrade.

According to official estimates, consumer prices increased by 1.5% but some experts also estimate an inflation of around 8-10%. The highest price increases were for fruit (+ 15%) and vegetables (+ 13%). The rationing of cotton textiles was abolished.

There are *bottlenecks and serious problems* in the economy, especially:

- difficulties with energy supplies leading to blackouts,
- difficulties in the supply of some raw materials,
- disequilibrium in growth between various sectors of industry,
- inefficiency of production and disregard for demand,
- insufficient transportation,
- growth which is not the consequence of productivity growth. High growth rates are mostly achieved because more labour and capital are added to industry's resource base.

b) Reforms

China is continuing its policy of management reforms which is considered as the only way to modernize the country and ensure a better functioning of the economy. A comprehensive project is in preparation to be introduced around 1986-87.

Meanwhile, elements of the prepared reform are being experimented with in several companies (presently comprising some 1.5% of all enterprises).

These elements involve:

- Introducing taxation instead of submission of all profits to the state. This would enable the creation of funds, e.g., for bonuses and salaries, the use of which will be decided by the companies themselves.
- Introducing work legislation into companies enabling employees to leave the enterprise and the management to hire and fire staff including executives, as well as regulate the number of employees. This should increase the quality of the staff, as salaries would depend on qualifications, raise moral, lessen absenteeism and negligence at work.
- Representatives of the local administration will have direct contact with companies and will have the right to grant permission for small local private businesses to open in the service sector.
- Street vendors and travelling repair men will be allowed to operate.
- Small retail shops, restaurants and the service trade are being taken over by capitalist-style small businessmen and family cooperatives. They can hire and fire their own employees and try to achieve profits in tailoring their goods and services to the needs of their customers. They are spreading very rapidly and contribute to better supply.

In agriculture reforms have developed along the following lines:

- The responsibility system has been introduced already to some 90% of rural households.
- The role of production teams increased gradually at the expense of commune administration.
- Once a procurement quota is met, the farmers will be free to use the rest of land and other means as they wish.
- Deliveries in excess of compulsory quota are paid higher.
- Sideline income-earning is encouraged.
- Centralized control over the allocation of land for specific crops is being reduced.
- Private plots have widened.
- Procurement prices have increased.
- Rural fairs and markets and urban private markets for agricultural and handicraft products were reintroduced.

The reform also involves *foreign trade*, where it should result in a greater opening to the influences of the world market. The most significant measures include:

- More Chinese companies are authorized to handle foreign exchange business.
- China-based foreign companies get easier terms for loans, which is intended to attract more foreign investment.
- China is emerging as a source of capital in the world market.
- Shanghai has been given the right to deal independently with foreign trading companies and investors without the consent of central authorities.
- Companies are allowed to decide on exports and imports and negotiate foreign investment not exceeding \$ 10 million.
- A new patent law is in preparation to be introduced as from April 1985. Foreign businesses will be handled according to law on the basis of reciprocity.
- 14 coastal cities will gain the status of special economic zones. They will become foreign investment areas. They offer special tax concessions to foreign companies taking part in joint ventures and investment projects.
- A measure is being prepared that will ease the terms of oil exploration bids.

The introduction of reforms is a battle between pragmatic leaders and economists on the one hand and the nomenclatura class on the other, afraid that reforms might finally lead to a decrease in their power, prestige and privileges. In the area of foreign trade reforms, they argue the danger of "spiritual pollution" meaning the influence of liberal thinking.

Some of these people consciously hinder reforms while others do so through sheer incompetence. For instance in March 1984, the Ministry of Foreign Economic Relations and Trade recentralized trade by taking exclusive control over imports of many products. They explained this was to end competition among Chinese companies that had been undercutting each others' prices to gain sales.

Until now, reform efforts have not yet generated significant results in changing the overall performance pattern of big companies. Nonetheless, the reforms, which include wage incentives, price reforms, decentralization of responsibility and freed private initiatives for creative business activity have improvements in productivity, quality of goods and more concern for the need of consumers. The supporters of reform are now in key positions and many top officials opposing it or only half-heartedly supporting it have been pushed aside.

c) Forecasts

For 1984 the plan projects a slower growth than for previous years.

National income has been set to increase by 4.6 %, industrial production by 5 % and agricultural output by 4 %. Energy production will grow relatively slowly. Petrol production will grow by 1.9 %, coal by 0.7 %, and electricity by 2.4 %. Defence expenditure will increase slightly to \$ 9 billion. Total imports and exports will decrease. The foreign debt will increase by \$ 650 million to \$ 2.55 billion.

These goals correspond to the *Five Year Plan*, which calls for an average yearly growth of 4 %.

The results for the *first 6 months of 1984* suggest that output will once more expand rapidly and that the 1984 plan will be fulfilled. The possibility exists that the entire Five Year Plan will be fulfilled as well.

The U.S. Department of agriculture predicts a rise in grain production of 1 % and a drop in wheat by 2 % and record totals for rice and coarse grain. There are growth forecasts for cotton, meat and other livestock products. Oil-seed production is expected to stagnate. Foreign purchases of grain will continue.

d) Changing Views on Long-term Prospects and Goals

Views on long-term prospects and goals have been changed by Chinese leaders several times in the last 10 years and it is not always clear which are valid for the future. Nevertheless, these changing views clearly reflect the complex problems China is facing.

In 1977, Zhou En-lai announced, for the first time, a modernization plan lasting until the end of the century. This plan involved modernization of agriculture, industry and defence as well as science and technology. It aimed at surpassing the levels of the most advanced countries in the world.

In 1982, Zhu Yao-bang proclaimed that it would take several decades to realize these aims but stated that China to increase its GDP four-fold by 2,000. The first objective would be to secure sufficient food for the population.

Perception of the solution to crucial problems of the Chinese economy shifted also. In 1977, it was considered to be the energy shortage, the low production of steel and transportation. By 1982, education and science were added. Later problems such as unemployment and the need to reduce population growth to 1.2 billion at the end of the century were stressed.

Most of the above-mentioned goals were embodied in the 10 Year Plan for Development of the Economy (1976-85) which, however, later fell into oblivion. It required a 10 % yearly growth in industrial production and 5-6 % growth in agriculture.

Now, there is agreement that the economic policy of China should be based on reforming centralized management so that it is more decentralized. Markets should function within the framework of the plan. Bureaucratic management should be replaced by principles of efficiency. An alignment to the world market is considered crucial.

e) Implications for Foreign Trade

By the end of 1983, China had \$ 14.3 billion in foreign exchange reserves and these reserves increased further during the first part of 1984.

Therefore, China was able to continue purchasing large amounts of wheat and spending large sums of money on computers and electronic components, high precision machine tools, motor vehicles, power generation and mining equipment and other industrial machinery. Priority sectors for imports related to energy, construction, transportation, communications, light industry, textiles, consumer goods, pharmaceuticals and other chemicals.

In 1984, China expects to conclude about 1,000 contracts with Western companies to import technological know-how and industrial equipment. The contracts may take the form of joint ventures, licensing arrangements or direct foreign investment worth a total of around \$ 1 billion.

While the attitude of China towards foreign investment is generally more favourable and has become more attractive to foreign companies, it has nevertheless developed relatively slowly. From 1979-82, only 83 Sino-foreign joint ventures were approved which amounted to about \$ 140 million. 1983 saw the start of a steeper growth - 105 new joint ventures were approved amounting to some \$ 200 million. They came mostly from the U.S., Hong Kong, Macao, the U.K., Philippines, Norway and Japan.

There were high expectations in the West for the development of exports to China, reflected in the many negotiations underway and the agreement reached:

- Thirty-four joint ventures in the electronic and manufacturing sectors are being considered for discussion in December 1984 at a meeting of U.S. businessmen with Chinese officials.

- A bilateral agreement on industrial, technological and nuclear cooperation between the U.S. and China.

- In May 1984 the FRG signed a 15-year research and cooperation agreement on the peaceful use of nuclear energy which could lead to the sale of 2 nuclear power plants and later on the production of VW in Shanghai.

- U.K. companies will be involved in the production of coal mining. Occidental Petroleum Corp. negotiated a \$ 500 million venture to develop a mine in Shanxi province which would produce 15 million tonnes a year and be the largest investment by any foreign company in China.

- More than 20 foreign companies have signed contracts for off-shore oil exploration which could amount to hundreds of millions of dollars.

- France is interested in delivering a nuclear plant and selling Mirage 2,000 combat aircraft and civilian jets.

In the long-run, China is trying to develop trade through improving legislation, building incentives into the planned reforms to increase interest in foreign trade and create resources to enable the large imports necessary for modernization policies.

Foreign trade is being encouraged, first of all through efforts to improve legislation in economic fields, prepare laws and regulations on Sino-foreign co-production projects, on foreign economic and trade contracts and on businesses set up with exclusive, foreign investment in China, including encouragement in the form of tax reliefs, etc.

The reforms contain many elements which enable better access to China's market by foreign companies and encourage Chinese businesses to increase their interest in foreign trade (establishment of free zones, etc.) (see II/10b).

To enable huge imports, China is concentrating on boosting its exports and creatively inventing new possibilities such as the export of workers. Gold exports should also increase. China will invest in the West. It is expected that China will borrow around \$ 50 billion from various sources over the next 10 years. Real imports should grow annually by about 20%. However, China wants to remain self-reliant to a large extent and exclude a build up of foreign debts. The expansion of exports for its imports is limited given the underdeveloped industrial base and its need of own raw materials. Countertrade will consequently become an important factor in the financing of imports. This is often reflected in long-term trade agreements and in the approach to foreign exports.

The main import needs will concentrate on high technology. It is widely acknowledged that China has a 10-year technology gap in most of its basic industries. In the next six years China intends doubling its output of sophisticated hardware (semiconductors, computers, communication equipment and consumer electronics) and gearing its imports towards these technologies. Since 1977, China has embarked upon an expanded foreign trade policy involving the selective use of technology imports to speed up the development of critical sections of the economy. Furthermore, Chinese leaders stress the necessity of avoiding technological dependence on any given country through a policy of diversification of imports to the greatest extent possible. They also emphasize the need for adaptability of imported technology. According to Deng Xiao-ping, "the importation of advanced technology and equipment is for the purpose of learning from them and promoting our own inventions instead of using them to replace our own technology". Here, perhaps, the hope is to emulate the Japanese in achieving a high level of technological development and exports.

There remain, however, significant factors weighing against the euphoric hope of future Chinese markets for Western companies and investors. These obstacles include:

- A high degree of centralization and bureaucracy opposed to trade expansion, often under the pretext of possible ideological pollution and dependence on foreign markets, but in reality fearing their future position.

- Slow progress in reforms and necessary legislation.

- Limitations in producing the necessary means for buying what is wanted.

- Difficulties stemming from slow negotiations and the different natures of the social system.

- Inadequate infrastructure, particularly poor transportation.

- Limitations on earnings to foreign investors in comparison with other countries.

- Resistance on the part of some high-technology companies for transfer of technology due to the fear that Chinese factories cannot attain the level of quality required in advanced computing.

- Confusion about future economic development policy and disproportion in development between sectors. If the drastic measures to slow population growth fail, there might be substantial changes in the attitude towards future development.

- Possibility of renewal of closer ties with the U.S.S.R. and countries dependent on it which could lead to important shifts in foreign trade and perhaps also in changing preferences of economic development.

11. North Korea

a) Plans

Very few concrete figures on economic performance are published by North Korea but much is said about economic plans and goals. Plans are mostly characterized by a lack of realism, a zealous striving for self-reliance, a high degree of isolationism as well as high priority given to the military sector.

The *Seven Year Plan* (1978-84) envisaged a 15 % annual growth in GDP. In 1980, this plan was superseded by 10 prospective tasks for 1980-90. It called for tripling production during this period in order to reach the following levels:

- Electricity: 100 billion kWh
- Coal: 120 million tonnes
- Steel: 15 million tonnes
- Non-ferrous metals: 1.5 million tonnes
- Cement: 20 million tonnes
- Chemical fertilizers: 7 million tonnes
- Cloth, including manmade fibres: 1.5 billion metres
- Fishing: 5 million tonnes
- Grain: 15 million tonnes (self-sufficiency would be reached)

The tenth task is to reclaim and cultivate new land, now covered by the sea at high tide.

For 1984, the plan mainly stresses energy development which should receive 20 % of all investments. Preference is given to the expansion of coal and energy production by building new hydro-electric and fuel-based electricity power stations. Much effort is devoted to geological research.

It is intended to automate and robotize the engineering industry, where products are currently of low quality. It is indicated that this industry is already 98 % self-sufficient.

In 1984, agricultural output shall achieve a total yield of 10 million tonnes of grain through increased mechanization (new tractors) and use of more agricultural chemicals (fertilizers and pesticides).

There are rumours that the new Seven Year Plan now being drawn up will borrow from the Chinese model and also try to attract foreign capital. In September 1984 North Korea enacted a law encouraging foreign companies to invest in industry, construction, technology and tourism.

b) Reality

Fulfillment of the Plan's goals does not seem realistic. The call to achieve these aims 2 years earlier than projected seems even more unrealistic. Factors militating against this include:

- Increasing shortages in the workforce as all available manpower is used to the limit.
- Excessive military expenditures. The country has the world's fifth largest standing army of 750,000 people which is very well equipped.
- Difficulties in paying its debts. North Korea defaulted on several foreign loans and arbitrarily re-scheduled others, piling up a debt of more than \$

2 billion. These problems increased as the exports of metals went down. Most difficulties appear vis-à-vis Japanese companies.

To improve the foreign trade position and also as a result of engagements in the third world. North Korea is increasing its arms sales and military training to countries such as Nicaragua, Ethiopia, Zimbabwe, Seychelles and Libya (and Grenada in the past). Armaments totalling \$ 640 million were sent to Zimbabwe and \$ 800 million to Iran.

The living standard is extremely low. Goods are drab and in very short supply.



12. Mongolia

In 1983, national income increased by 5.8% due mainly to an increase in the work force (+ 2.9%).

Productivity increased by 3.4%. The country succeeded in economizing raw materials and introducing new technologies as well as 144 new products. Investment increased by 12.6%.

Industrial production increased by 8.1%. Only the plans for the production of cement and ceramics were not fulfilled.

Agricultural output increased by 3% in comparison with the 1981-82 figures. The number of cattle as well as the production of meat decreased. Also, the goals set for the production of wool and hides were not fulfilled. New land was brought under agriculture and new agricultural machinery was introduced, such as tractors and harvesters.

The population's income increased by 5.5% and per capita real income by 3.4%.

Foreign trade turnover increased by 10.6% with 96.9% of trade carried out with COMECON countries, especially with the U.S.S.R., and some 2% with other centrally planned economies. Mongolia traded with 20 countries.

The *plan for 1984* calls for a growth of the national income by 6% and for productivity by 4.4%.

Industrial production is set to expand by 7.8% and production goods by 10%. Highest growth should be achieved in the production of building material, wood and foodstuffs. Industrial productivity should rise by 2.2%.

Agricultural output is projected to grow by 9% with emphasis placed on livestock (+ 16.1%) and meat production (+ 4.2%). Land amounting to 61,000 hectares will be turned over to agriculture.

The plan again emphasizes economizing on raw materials and energy. Industry will receive 64% of investment funds mostly for the development of energy, metal mining, production of building materials, food and light industry in general.

The monetary income of the population is scheduled to grow by 4.7%.

The orientation of foreign trade will not change. The U.S.S.R. will participate in more than one half of all investment. Turnover must grow by 5.1%, of which exports should rise by 5.3%. The main exports are to be copper concentrates, products of the woodworking industry, hides, wool, carpets, furs, leather, textiles, and meat.

The *General scheme of development until 1990* envisages a further industrialization of the country.

The *Five Year Plan* (1981-85) chiefly emphasizes the production of energy, metals, mining and the metal working industry. Also, much attention should be paid to the consumer industry which is to be extended and modernized, mostly with the help of the European COMECON countries. By 1985, 40 % of national income should derive from industrial production.

13. Vietnam

The official reports on the economic results of 1983 are euphoric. Agricultural production was at a record level and has grown by 10% over the last three years. Gross industrial production increased by 8.2%. Only the plans for the production of coal and cement were not realized. Investment increased by 11% and concentrated on energy, fertilizers, cement, engineering and transportation. The government claimed that Vietnam is no longer dependent on foreign food aid.

The *plan for 1984* is equally optimistic. Agricultural production should grow by 7%, the number of pigs is to increase by 8%, cattle by 5% and poultry by 9%. The production of sugar cane should grow by 33%.

Industrial production is scheduled to grow by 9.5%, mainly in the energy sector. Electricity production is to increase by 12%, coal by 8%, and cement 83%, fertilizers 6% and paper 26%.

Investment will increase by 32% and be concentrated on electro-energy (production and transportation), coal and the storage of rice.

Exports should grow by 32%.

The main emphasis is to be placed on the development of agriculture with industrial development serving its needs. Thus, for industrial production,

preference is given to agricultural machinery and equipment including spare parts.

Today's economic situation is, however, catastrophic. Inflation averages 50% per year. The black market and bribery are on the increase. Officially, there are one million unemployed, but the true figure may well be between 3 and 4 million; all this despite the export of Vietnamese workers to other COMECON countries as payment for high debts and settlement by the Vietnamese in Cambodia. Much money is siphoned off by enforced state loans. Consumption is low and agricultural output per capita is lower than 10 years ago.

Industrial production is stagnating (the last Five Year Plan called for a 17% annual increase). Factories use obsolete machinery as Vietnam cannot afford to buy more modern technology.

There is still a large difference between the North, where the present regime was introduced earlier, and the South, which was overcome as a result of war. The South, with more private agriculture and trade, has a higher standard of living and is more attractive.

Vietnam has debts of some \$ 3.5 billion of which one-third is owed to the West. This amount will rise, as difficulties were encountered in 1983 over exports of coal, rice, soya and jute carpets. While the export

plan was lowered by 20 %, indications are that it has still not been fulfilled.

Vietnam costs the Soviet Union \$ 1 billion a year while an additional 0.5 billion comes from other Warsaw Pact countries.

The reasons for this economic burden and the need for aid are:

- 180,000 Vietnamese soldiers are fighting against 50,000 Cambodian guerrilla fighters, and a further 45,000 soldiers are fighting in Laos.

- Vietnam has the largest army in the world after the three super powers with more than 1 million well-equipped soldiers. 30 % of GDP are military expenses.

- There is the highest level of repression in the world with eight concentration camps and 60,000 political prisoners. This causes passive and some armed resistance from the population, and high emigration, including skilled labour.

- The population growth is around 2.4 % with the government presently trying to reduce this rate to 1.9-2 %.

14. Cambodia

The *main emphasis in 1983* was on increasing the production of rice also needed by the 180,000 Vietnamese occupying troops and some 40,000 settlers from Vietnam in occupied territories. Cambodia succeeded in increasing 1983 rice production by 25 %. Existing rubber plantations were also extended in order to increase exports to the U.S.S.R., but production of the main agricultural products such as rice, rubber, wood, fish and kapok is still substantially below the level of ten years ago.

A priority project was the widening of Kompong Som harbour needed for the distribution of Soviet military supplies to Vietnamese occupying forces.

The living standard is very low, and there are frequent blackouts. Many consumer goods are often inaccessible to most citizens because of their cost, especially those smuggled on to the black market. One kilogramme of pork costs one week's salary while party officials receive rice rations and rent free accommodation. There is a permanent curfew in the capital during the night.

Some 60 existing factories work below capacity because of shortages of electricity, raw materials and spare parts.

While these current difficulties are blamed on the past rule of the Khmer Rouge Communist regime,

they are definitely caused by the present war being waged by Vietnam against Cambodia, as well as the high emigration rate.

This situation may yet worsen with collectivization of agriculture which is just beginning. For this reason, around 100,000 "Solidarity" groups, each consisting of 10-15 families were created.

Dependence on Soviet aid is high with some humanitarian aid coming through UN channels in the form of food and medicines.

Exports go mainly to the U.S.S.R., and include rubber, wood and tobacco. Soya and corn were exported to Singapore and kapok to Japan. Trade with the West is little developed.

15. Laos

In 1983 the GDP increased by 9%, national income by 6% and industrial production by 18.9%. The level of the economy was, however, very low. The per capita income is less than \$ 100 annually, making Laos one of the world's poorest countries.

The *main emphasis* in the economy is on agriculture and forestry on which industrialization is based. The Five Year Plan (1981-85) envisages directing 20% of investment into agriculture, 41% into transportation and communication and 20% into production development.

The collectivization of agriculture continued despite resistance from the peasantry. In 1983, 20% of all families were working a total of 1,943 cooperatives.

In order to save the country from total economic chaos, an attempt is being made to introduce a "softer" version of socialism than in Vietnam, by not forbidding the development of markets. The Premier stressed that only "capitalist laws" can bring true economic growth. There is some softening in the rigid way the country is ruled. Before falling in love young people no longer need the approval of the party. Concentration camps still exist, but it seems that the number of prisoners, previously estimated at 40,000, has diminished slightly. The war of Vietnamese troops against guerrillas continues.

In 1985, *exports* should be 3.4 times higher than the 1980 level; 6.8 times higher with the socialist countries and only 2.8 times higher with other countries. Nevertheless, there are attempts to expand economic relations with the West, especially with Japan, France and Australia. The country is heavily dependent on foreign aid.

16. Afghanistan

Afghanistan's economy continues to deteriorate due to a decrease in the work force, more destruction by the war and greater exploitation by the Soviet Union.

There are less and less people working as it is estimated that the war causes some 100,000 Afghan deaths annually. Around 4.5 million have emigrated, 30,000 are in the Soviet dominated army and 10,000 have been sent to the Soviet Union for indoctrination. The total number of guerrillas is not known. Thus, the total work force has substantially declined. War damage is heavy and mainly due to Soviet raids on villages, which are often totally destroyed.

The cost of maintaining the 140,000 Soviet troops is estimated at \$ 8 million daily and is financed by Afghan exports to the Soviet Union. The Soviet Union has increased direct exploitation of uranium, oil and natural gas.

The result of this situation is that Afghanistan is on the verge of famine. Provinces where the fighting is fiercest are reverting to subsistence levels. The living standard in the cities has especially deteriorated as they are inundated with refugees from the countryside and are not provided with the needed food supplies from agricultural areas.

Malnutrition is catastrophic in Badkashan and Paktia provinces. Food is in short supply everywhere and prices are rising sharply.

In spite of this development, the Prime Minister stated in March 1984 that the national income in 1983 increased by 5.4% and that the economy operated successfully.

17. South Yemen

The economic situation continues to deteriorate due to:

- forced policy of socialization of industry and agriculture,
- increased militarization of the country,
- strong presence of Soviet troops.

The dependence of the country on foreign resources is increasing as the Five Year Plan (1981-85) relies on foreign resources, mainly from COMECON and Arab countries.

The dominant place in foreign relations is held by the Soviet Union, with the GDR, Czechoslovakia, Bulgaria, Cuba, North Korea, and Hungary coming next in importance. South Yemen has been admitted into COMECON in the capacity of an observer. Most trade occurs with these countries and South Yemen is receiving technical assistance from them as well.

The most important source of hard currency is the income of guest workers in Saudi Arabia and help from that country. In addition, the International Development Agency granted South Yemen a \$ 7 million credit. Most of these credits are to be used for the development of the irrigation network and improvement of the water supply.

III.

CENTRALLY PLANNED ECONOMIES OF AFRICA

Angola
Mozambique
Madagascar
Ethiopia
Libya

18. Angola

The government is now presiding over a collapsing economy involving less than one half of the country, not freed by guerrilla fighters. Little is known about the economy of the freed area.

The economy has been ruined chiefly by large military expenditures as well as by destruction caused by fighting and by an economic system which leads to inefficiencies.

Seventy percent of the budget is spent for military purposes with at least 40% of Angola's foreign currency earnings being spent on military equipment. Thirty per cent of these earnings go to servicing the foreign debt which has now increased to some \$ 2.5-3 billion and is also due to previous military spending. This situation leads to excessive import reductions and rising domestic prices.

Moreover, the situation has been aggravated by:

- unexpected price developments concerning Angola's main exports, namely coffee and diamonds, leading to an increased foreign trade deficit,
- the unwillingness of the West to lend aid because of the strong presence of Cuban troops (some 40,000).

The government hopes for an economic improvement in the near future due to:

- an increase in oil production presently accounting for 90% of export receipts,

- a positive impact of the agreement with South Africa,
- the encouragement of Western investments.

The government wants to use \$ 40-50 million from Western banks to finance the expansion of the port of Luanda, one of the few efficient enterprises in the country. Angola also wishes to increase cooperation with the U.S.-based Gulf Oil Corporation which operates three offshore rigs and plans to build a fourth one.

19. Mozambique

The economic disaster continued in 1983 and in 1984. Only 10% of the corn harvest was collected. Industry works at 15-20% of capacity and inflation made the currency practically worthless. Though rationed, food is seldom available. According to government figures some 40,000 people died of starvation but experts estimate this figure as closer to 170,000. Furthermore, over half a million people are currently undernourished and four million are in danger of starvation.

This disaster was caused by a combination of several factors:

- Mismanagement by central planners (officially admitted).
- Forced collectivization of agriculture and support of inefficient state farms.
- Civil war in all ten provinces with 30% of the budget being directed to military uses. Some 40% of the territories were already freed but drastic measures against the population continue.
- Drought in many parts of Africa also affected Mozambique.

The government reacted to this situation by initiating drastic measures against the population. In "Operation Production", some 50,000 "unproductive individuals" from towns were forcibly rounded up by "identification brigades" and sent to concentration camps (called "re-education" or

"resettlement" camps) established in drought-stricken areas. Among them were teenagers living at home, elderly retired people, unmarried mothers, pregnant women and people who were indicated as not supporting the party.

Mozambique further intensified its attempt to obtain foreign aid. Admission to COMECON was refused three times. Help from the Soviet Union consists mainly of deliveries of weapons.

Mozambique is also striving to obtain aid from the West. At the beginning of 1984, Mozambique asked for the rescheduling of the \$ 1.4 billion it has in foreign debts (\$ 152 million service arrears at the end of 1983). The main creditors are French and Italian banks which have financed projects there. Mozambique also applied for membership of the IMF and the World Bank. Attempts have been made to lure private investment from Western Europe and the U.S. for mining coal and other minerals, agriculture and fisheries. President Machel suggested that U.S. technology could help launch several development projects.

According to the terms of the "Mutual Security Agreement" of March 1984 with South Africa, Mozambique will receive aid to improve its ports, railroads, and electric power facilities.

More than a dozen international agencies have begun setting up relief programmes. A number of countries are shipping food. Mozambique has been the largest African recipient of U.S. emergency food supplies.

U.N. officials predict that the current famine will probably worsen and reach its most critical stage late in 1984.

The U.N. World Food Programme has agreed to supply Zimbabwe with foodstuffs \$ 1 million to feed refugees from Mozambique.

20. Madagascar

The economy continues to be in ruins. Inflation is high, and both corruption and crime are increasing. Rebellion is spreading everywhere. There is a general import reduction. However, Soviet arms worth \$ 300 million were imported which is \$ 20 million less than the total export earnings for 1982. Debts are high and two-thirds of export earnings are needed for repayment.

The 1984-87 plan is, however, fairly optimistic. It puts emphasis on agricultural development which will receive 33 % of all planned investment. The plan calls for an increase in production of rice, corn, fish, meat and vegetable oil. In 1986 Madagascar should be self-sufficient in agricultural production.

The plan also envisages exploration of oil resources and of other minerals. Further development is planned in transportation, communication, energy and tourism. Twenty thousand new houses are to be built.

21. Ethiopia

The yearly growth of Ethiopia's GDP slowed down from a 5.5 % growth during the period 1979-80 to only 3.2 % from 1981-83.

This decline is explained by:

- The drought which began in 1981 and now affected eight of the country's thirteen regions.

- The unfavourable situation on the world markets. Ethiopian export goods, especially coffee, decreased in price while the prices of imported goods increased.

A further reason lies in the collectivization of agriculture. In 1983, there were more than 1,000 kolkhozes (cooperatives) which worked around 25,000 hectares of arable land; the government is resolved to continue this policy. The civil war, the presence of Cuban troops and high imports of Soviet weapons, are quite definitely additional reasons for the present situation.

The economic situation is actually worse than the official figures would show. More than seven million people are affected by famine and are in danger of starvation. The famine is most severe in those areas affected by hostilities as in Eritrea, Tigre as well as in the South.

Foreign debts increased to more than 20 % of the GDP and the servicing of debts amounted to nearly 12 % of export earnings.

There is intensive help coming from the West, primarily organized by the International Red Cross. However, there are fears that food aid is diverted to the army. At present there is no direct aid to the population in areas not controlled by the government as this would have to be organized without regard to the Soviet-backed regime.

The *Ten year general plan of development 1981/82-1990/91* is very optimistic. According to this plan, there should be a 7.5 % yearly growth in agricultural output reaching a total of 60 % in ten years. Industry should grow by 300 %. Thus the GDP share of agriculture should decrease to 35 % and the share of industry increase from 16 % to 29 %. Much stress is to be placed on energy development, transportation and communication. The total GDP should double in ten years. It has been supposed that two thirds of the resources for this ambitious plan would come from abroad in the form of credits.

In the future much will depend on the choices made by Ethiopian leaders for either more Soviet weapons or increased economic links to the West.

22. Libya

At present, serious economic difficulties have appeared caused mainly by the following factors:

- Oil revenue, accounting for more than 90% of the country's income, has been cut by as much as half due to low prices and reduced quotas set by OPEC.
- Libya has bought billions of dollars worth of arms from the Soviet Union and is negotiating to buy more. High sums are spent for military purposes and engagements abroad.
- The military annexation of Northern Chad with resettlement by Libyans (now 10% of the population of this region) brought further expenses.
- Increased government control of economic life with rising inefficiency.

As a consequence Libyan gold and foreign currency reserves have decreased two and a half times over the last three years. Imports have had to be reduced and there is austerity in consumption and investment. In spite of failures to unite with Egypt, Sudan and other countries in the past, there is a continuation of similar aspirations and in August an agreement with Morocco was signed.

The grandiose *Five Year Plan* (1981-85) calling for a 9.4% yearly growth has been revised downwards. In 1983, the means allocated for industrial investment decreased by 19.2% while decreasing 14.8% for transportation and communications, 14.2% for

agriculture, 9.6% for energy and 9.3% for housing. Even Soviet experts are convinced that the plan cannot be fulfilled.

Despite all these difficulties, there are opportunities for *exporters* to the Libyan market since Libya's debts are, for the time being, insignificant and new oil sources are being developed. In accordance with the plan, imports will especially concentrate on such priorities as:

- A huge development project involving a desert irrigation plan.
- Libya may need \$ 4 billion for the first phase of constructing a "man-made river" which has become the country's development priority.
- Construction of a steel complex.
- A desalinization unit.
- Development of further oil exploration.

Few projects involve the participation of the Soviet Union hence Western suppliers have good chances.

IV.

**CENTRALLY PLANNED ECONOMIES
OF AMERICA**

Cuba
Nicaragua
Surinam

23. Cuba

Official statistics indicate an annual growth rate in 1983 of 4.7%. In current prices, however, the real increase is insignificant due to inflation. The economic situation is bleak with little prospect of future improvement. The reasons for this development include unfulfilled expectations for sugar production, significant military expenditure and engagements abroad, as well as inefficiencies in the economy.

The dependence of Cuba's economy on exports of primary commodities remains at 95%. Sugar provides 80% of all hard currency income. Thus, the 1983 sugar harvest of 8 million tons was a setback for the government as it fell 200,000 tons below that of 1982 while, officially, a harvest of 9 million tons was forecast. Moreover, the prices for sugar declined, reducing the expected income.

The most important reason for these difficulties is militarization of the economy and the high engagement in the Third World. Cuba increased its purchases of Soviet military ships and submarines as well as MIG-23 aircraft.

Cuba's military force is the strongest in Latin America and twice as strong as that of Mexico. It is well-equipped and reinforced by a very strong repressive police apparatus. A Soviet military contribution of \$ 950 million a year only partly mitigates these expenditures. There are around 50,000 Cuban troops in foreign countries (Angola, Mozambique, Ethiopia) and other hidden forms of help to many countries.

Cuba also provided thousands of civilian helpers (teachers, doctors, engineers) in countries influenced by the Soviet Union, mostly in Africa and Latin America. The Africans, however, are slow in paying for these favours calculated to cost \$ 600 per capita a year.

The severe consequences of this policy for Cuba are reflected in one of the highest per-capita foreign debts of \$ 3.2 billion, the inability to pay it and the need for import reduction are also reflected in the living standard.

Credits were rescheduled in 1983. In July 1984 110 Western creditor banks again agreed to a rescheduling of middle term debts of \$ 100 million, due in 1984. The payments will be distributed over nine years.

Short term credits of \$ 400 million are being extended. The \$ 250 million in debt service due in 1984 to public creditors was also rescheduled in the summer of 1984 with the Paris Club for a nine-year period, starting in 1988. The most important creditor countries are Spain, France and Japan.

Imports have been strongly cut back and their volume has substantially decreased. Some reductions brought damage to the economy. For example, chemicals, needed to treat fields full of weeds, were not available in adequate quantities at the right moment. Also, plans to increase agricultural mechanization must be postponed.

The rationing of nearly all consumer goods continues and difficulties in obtaining them are increasing.

Official government *plans* are, however, optimistic. In 1984 the GDP is projected to grow by 4 to 4.5 %. The government is concentrating on measures to economize energy consumption which should decrease by 3 to 5 %.

Official forecasts speak of a 10 million ton sugar harvest in 1984, which seems, however, overly optimistic. Also, the production of citrus and tobacco are scheduled to increase.

In industrial production, great importance is placed on the output of products reducing the dependence on imports such as spare parts, accumulators and tyres. Exports are due to increase by 10 % and imports by 8 %.

24. Nicaragua

In 1983, a 5 % growth in the economy was reported (with a 2.9 % growth in agriculture). The economic situation is very precarious and caused by:

- Extreme militarization of the economy. The army has increased three-fold since the start of the present regime;
- The Soviet Union supplying military equipment totalling \$ 150 million in 1984, a 25 % increase compared to last year;
- The government resettling 10,000 ethnic minorities;
- Repression and forced military recruitment leading to dissatisfaction and an increase in guerilla activity;
- An intensification of the fighting. According to government figures, almost 100 state farms and cooperatives have been burnt to the ground during fighting by troops. For 1983, the damage caused by fighting is estimated at \$ 600 million;
- State-control of production and foreign trade increasing and leading to inefficiency.

The consequences of this situation are a lower living standard and an increased foreign debt.

The steadily decreasing living standard is accompanied by the rationing of some products. Since the founding of the present regime the real income of workers has decreased by 65 %.

Debts are increasing quickly. In 1980, some \$ 582 million in debts owed to 130 foreign banks were renegotiated. A further \$ 180 million was renegotiated in 1981 and \$ 140 million in accumulated principal and interest on payments due between March 1983 and March 1984 was renegotiated in February 1984. In total, an accumulated sum of over \$ 800 million is now owed by Nicaragua to foreign banks. It is unlikely that obligations will be met in 1984 with the debts tending to increase further. Exports in 1983 totalled \$ 381 million, falling far short of the planned \$ 500 million. Thus, as in previous years (1980: \$ 337 million; 1981: \$ 500 million; 1982: \$ 370 million) there was a deficit once more in the trade balance. The total foreign debt is now \$ 3.4 billion.

In 1983, all oil was supplied by Mexico. In 1984, however, Mexico reduced shipments because of delays in payment. In the first half of 1984, approximately 60 % was supplied by the Soviet Union and it is forecast that this amount would increase to 65 % by the end of 1984. Thus, the dependence on the Soviet Union, currently supplying not only the bulk of arms but also of oil, will increase.

The plan for 1984 emphasizes military priorities stressing large-scale investment at the expense of the living standard and debts. A decrease to only 18 % in unemployment is envisaged.

Total investment should increase by 18% reaching a level of approximately \$ 600 million per year, half of which is to be financed from external sources. Some 730,000 hectares of virgin land should be exploited for export crops, mainly cotton.

New austerity measures which are said to be stricter than those normally required by the IMF are being formulated at top government level. They

impose further constraints on consumption and a fall in the living standard over the next four years. Salary increases only reflect the officially-admitted level of inflation.

The foreign trade situation will worsen as exports will total only \$ 500 million as opposed to \$ 880 million worth of imports. Interest on foreign credits will amount to \$ 280 million.

25. Surinam

The economic difficulties of Surinam, which started with the introduction of the new regime in 1980, continued in 1983. There was high inflation and unemployment, exports decreased and the gap in the balance of payments worsened. The budget deficit of \$ 195 million equalled more than 15% of GDP.

The government continued its policy of belt-tightening measures coupled with an anti-business rhetoric. Parties and trade unions were suppressed.

This policy brought about dissatisfaction among the population and led to labour unrest. A large strike occurred in the vital bauxite industry, spreading from mines to banks, schools, transport systems, and power plants. The dispatching of troops to quell the strikes was unsuccessful.

Finally, due to the endurance of the population and the strong impression made by the fall of a similar regime in Grenada with outside help, the government ceded to popular pressure. The concessions consisted of:

- A tax increase of up to 100% on many imported goods being revoked;
- An income tax increase being postponed;
- Political liberalization being promised, as well as greater participation of trade unions and business in government of the country;
- Cuban advisers being expelled;

- Neither the American nor the Dutch bauxite concerns being nationalized and no substantial steps being taken towards a state-run economy.

According to government estimates, the strike, lasting over one month, caused damages totalling \$ 28 million.

Surinam hopes to receive external help for its problems: four sources seem to be available. Cuba sent advisers and tried to influence the regime to adopt a policy of creating a fully-fledged Marxist economy. Due to the financial weakness of Cuba, a similar offer came from Libya, which signed a friendship treaty in the spring of 1983. In addition, aid from Brazil was sought and Brazil committed itself to buying 50 tonnes of rice and 80 tonnes of aluminium annually. It has offered \$ 15 million in credits towards the purchase of Brazilian products. Surinam also hopes to obtain credits from Western banks and development agencies.

V.

APPENDICES

1. Explanation of terms used
2. Sources
3. List of official names of countries
4. Abbreviations used

APPENDICES

Appendix 1: Explanation of terms used

Economic concepts often differ according to the statistical source used. In this study the COMECON, concepts of net material product (NMP), national income (NI), gross national product (GNP), and gross domestic product (GDP) are used. These differ slightly from the Western concepts because they do not include services of a non-productive nature. Since such services tend to play a relatively small part in centrally planned economies, the difference in concepts should not interfere greatly with interpretations of the figures.

The combinations of countries included in various regional or political groups also differ according to the statistical source. When this report speaks of "Western" countries, it refers to all OECD member states. United Nations statistics include Yugoslavia, Malta, South Africa, and Israel, but exclude Turkey. GATT statistics include Yugoslavia and Malta, but exclude Australia and New Zealand. Comecon statistics exclude Yugoslavia from "the West", but include all the other countries mentioned.

When COMECON sources speak of socialist countries, they include the non-European COMECON members (Cuba, Mongolia, and Vietnam), as well as Yugoslavia, Albania, China, and North Korea. Some of the countries included as CPE nations in this study are sometimes quoted among developing countries.

Sources from OECD countries term the trade between the Federal Republic of Germany (FRG) and the German Democratic Republic (GDR), Intra-German trade and do not include it in foreign trade statistics. But GDR and COMECON foreign trade figures do include Intra-German trade. Unless otherwise noted, this study has included such trade in foreign trade statistics.

In this study all figures have been quoted in real terms and in \$ US, unless stated otherwise.

Because most of the CPE currencies are non-convertible, official rates of exchange can be established arbitrarily and have no real impact on economic life within these countries. Thus, when international economic parameters (like wages, GDP, etc.) are expressed in \$ US, they cannot be compared exactly with similar parameters in

the West or other CPE states. Different statistical sources also use different exchange rates between the \$ US and national currencies.

Not all of the statistical information is available from official sources. The amount of data available on the individual countries differs greatly. Even this is sometimes biased because of the statistical methods used or because the reporting units seek to present the best possible results, despite controls by supervisory organs. Even the leaders exaggerate. It is impossible for outsiders to determine all of these biases precisely. Outside sources try to provide realistic estimates of the economic situation of these countries, but their estimates differ.

It is generally admitted that unlike Western countries, many important kinds of economic data are not available and are subject to "guesstimates". They are especially:

- The extent of reality in distorted officially-published figures;
- The achievements of the parallel economy in the field of production and income;
- The real level of inflation caused by hidden price increases;
- The extent and output of forced labour;
- The real decrease in life-expectancy;
- The real total military expenditure, including figures hidden under various guises;
- The expenses for covert activities abroad.

In writing this report the author has studied a vast range of material from both East and West. When data from official sources was not available or obviously did not reflect the real situation, estimates from various institutions in the West or the Conference Board were substituted. These are all noted in the list of sources used. Past figures used for comparative purposes have been taken mostly from previous Conference Board studies.

Because of the nature of the information on the countries covered and to avoid an abundance of technicalities, this overview concentrates on trends rather than exact figures and overlooks marginal discrepancies. Those readers wishing more detail on specific points are referred to sources quoted in Appendix 2. Should elaboration be needed, readers are invited to get in touch with the author.

Appendix 2: Sources

COMECON: Statistical Yearbook 1983
GATT: International Trade 1982/83
OECD: Statistics of Foreign Trade, Series A
The Statesman's Yearbook 1983-84
L'Etat du Monde - François Maspero 1983
Le Nouvel Observateur - Atlas Econ. Mondial - 1983
East-West Fortnightly Bulletin
Eastern European Statistical Service
World Development Report 1983 (World Bank)
Economic Survey of Europe in 1983 (UN - Economic Commission for Europe)
Dr. Jan Stankovsky: Ost-West Handel 1983/84 aus der Talsohle (Österreichisches Institut für Wirtschaftsforschung) July 1984
Biulleten Inostranoi Kommercheskoi Informacii
Other professional and economic journals of centrally planned economies and Western countries
National statistics

Appendix 3. List of official names of countries

Name quoted in Overview	Official name	English translation
Afghanistan	DOULAT I JUMHOURIYE AFGHANISTAN	Dem. Rep. of Afghanistan
Albania	REPUBLIKA POPULORE SOCIALISTE E SHQIPËRISË	Socialist People's Republic of Albania
Angola	REPÚBLICA POPULAR DE ANGOLA	People's Rep. of Angola
Bulgaria	NARODNA REPUBLIKA BALGARIJA	People's Rep. of Bulgaria
Cambodia	KAMPUCHEÁ DÉMOCRATIQUE	Democratic Campuchea
China (1)	ZHONGHUA RENMIN GONGHEGUO	People's Rep. of China
Czechoslovakia	ČESKOSLOVENSKÁ SOCIALISTICKÁ REPUBLIKA	Czechoslovak Soc. Republic
Ethiopia	YATYIOPYA MANGUIST	Ethiopia
GDR (2)	DEUTSCHE DEMOKRATISCHE REPUBLIK	German Democratic Republic
Hungary	MAGYAR NÉPKÖZTARSASÁG	People's Rep. of Hungary
Laos	REPUBLIQUE DÉMOCRATIQUE POPULAIRE LAO	Democratic People's Republic of Lao
Libya	LIBYA ARAB JAMAHIRIYA	Socialist People's Libyan Arab Rep.
Madagascar	REPUBLIKA DEMOKRATIKA MALAGASY	Malgash Democr. Rep.
Mongolia	BÜGD NAIRAMDACH MONGOL ARD ULS	People's Rep. of Mongolia
Mozambique	REPÚBLICA POPULAR DE MOÇAMBIQUE	People's Rep. of Mozambique
Nicaragua	REPÚBLICA DE NICARAGUA	Republic of Nicaragua
North Korea (3)	CHOSON MINCHUCHUI INMIN	People's Dem. Rep. of North Korea
Poland	POLSKA RZECZPOSPOLITA LUDOWA	Polish People's Rep.
Romania	REPÚBLICA SOCIALISTA ROMÂNIA	Soc. Rep. of Romania
South Yemen (4)	YAMHURIYA AL YEMEN AD DIMUKRATIYA A-SCHABIYA	Dem. People's Rep. of Yemen
Soviet Union	SOJUZ SOVIETSKIH SOCIALISTICHESKIH REPUBLIK	Union of Soviet Soc. Republics
Surinam	REPUBLIEK VAN SURINAME	Republic of Surinam
Vietnam	CÔNG HÒA XÃ HỘI CHỦ NGHĨA VIỆT NAM	Soc. Rep. of Vietnam
Yugoslavia	SOCIALISTIČKA FEDERATIVNA REPUBLIKA JUGOSLAVIJA	Socialist Federal Republic of Yugoslavia

Not to be confused with:

(1) Republic of China	ZHONGHUA MINGUO (Taiwan)
(2) Federal Republic of Germany	BUNDESREPUBLIK DEUTSCHLAND (W. Germany)
(3) Republic of Korea	DAHAN-MINHUK (South Korea)
(4) Arab Republic of Yemen	JAMHURIYA AL ARABIYA AL YAMANIYA (North Yemen)

Appendix 4

The text uses the following notation and abbreviations:

\$	— United States dollar
—	— magnitude equalling zero
O	— value of quantity rounded off to zero
avg.	— average
BIS	— Bank for International Settlements
bn	— billion = 1,000 million
CB	— Conference Board
COCOM	— Coordinating Committee for Multilateral Export Controls
COMECON	— Council for Mutual Economic Assistance (CMEA)
CPE	— centrally planned economies
DC	— developing countries
EC	— European Community
ECE	— Economic Commission for Europe
EE	— Eastern Europe = European COMECON countries excluding U.S.S.R.
FRG	— Federal Republic of Germany (West Germany)
FTO	— Foreign Trade Organization
GATT	— General Agreement on Tariffs and Trade
GDP	— Gross Domestic Product
GDR	— German Democratic Republic (East Germany)
GNP	— Gross National Product
IEA	— International Energy Agency
IMF	— International Monetary Fund
mn	— million = 1,000,000
NATO	— North Atlantic Treaty Organization
NMP	— Net Material Product
OECD	— Organization for Economic Cooperation and Development
OPEC	— Organization of Petroleum Exporting Countries
p.c.	— per capita
SDR	— Special Drawing Rights
t	— metric tonnes
th	— thousand = 1,000
UN	— United Nations
USSR	— Union of Soviet Socialist Republics (Soviet Union)



Conference Board Publications on Centrally Planned Economies:

I. General - Reports

East-West Trade - The Lessons from Experience - 1971 (R-527)
Evolving Corporate Policy and Organization for East-West Trade - 1974 (R-635)
Interdependence in East-West Trade - 1980 (EM-1)
Economic Overview 1981 (included European Comecon Countries) (EO-2)
Economic Overview 1982: Centrally Planned Economies of Europe (EO-5)
Eastern Europe's Trade with the West. 1982 (ERM 1936-1937)
Centrally Planned Economies
Economic Overview 1983 (R-841)

II. U.S.S.R. (Articles from "Across The Board")

"The Soviet Union is Becoming Less and Less Russian." ATB. May. 1981. p. 24-29. Demographic trends.
"The Russian Connection." ATB. Dec. 1982. p. 40-46. U.S.-Soviet grain trade.
"Old Errors in the New Cold War." ATB. June. 1982. p. 20-30. Historical overview of U.S.-Soviet relations.
"Sanctions and the Kremlin's Economic Payments." ATB. Sept., 1980. p. 3-4, 73. Impact of the U.S. trade embargo.
"The Americanists." ATB. Aug., 1979. p. 50-61. Excerpt from "Soviet Perceptions of the United States" by M. Schwartz.
"Kissinger on SALT II - and the Russians." ATB. May, 1979, p. 69-76.
"The Awesome Fact Behind the SALT Debate," ATB, Mar., 1979, p. 14-20.
"What Do the Russians Want Now?" ATB. Jan., 1979, p. 48-56.

III. China (Articles from "Across The Board")

"A China Syndrome." ATB, May 1982, p. 63-65. Failure of Western scholars to protest the treatment of Chinese intellectuals during the Cultural Revolution.
"One is Enough: The Chinese Way of Population Control." ATB. Mar., 1982, p. 27-28. Excerpt from "Building a Sustainable Society" by L.R. Brown.
"If the Chinese Twin Ideas Yin and Yang Did Not Exist They Would Have Been Invented Today." ATB, Aug. 1980, p. 42-52. Policies of the Post-Mao leadership.
"Wonder Out of China." ATB, Feb., 1979, p. 14-16. Travel notes of an American businessman.
"The China Market." ATB, April, 1978, p. 44-52.
Report on China from the East and the West, WBP 50, 1979.